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Test -7

India Economy

National Income Accounting
- Definition
- Concepts: GDP, GNP,
- Measurement

Money and Banking
- Function of Money, Evolution of Money etc.
- Banking: Need of Banks, Functions, Types, Banking Reforms, Central Bank and its role

Inflation and Employment
- Definition, types etc.

Government Budgeting and Fiscal Policy
- Budgeting, types, its evolution in India, Process, Component etc.
- Public finance, Revenue and Expenditure, Deficits, Taxes, Debts etc.

External Sector and Currency Exchange rates
- BoP, BoT, International trade, IMF, WTO, Trade policies, issues and challenges etc.

Capital Market
- Terms and Concepts

Agriculture

Industry

Services

Infrastructure and Communication

Five year Plans

Economic Reforms since 1991

Foreign Trade

India and IMF, WTO, WIPO

India and International Institutions

IPRs

+

Current Affairs

(June, July 2021)

PT - 2022

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Test Booklet Series

C

TEST BOOKLET

GENERAL STUDIES (P) 2022 – Test–3476

Time Allowed: Two Hours **Maximum Marks: 200**

INSTRUCTIONS

1. IMMEDIATELY AFTER THE COMMENCEMENT OF THE EXAMINATION, YOU SHOULD CHECK THAT THIS BOOKLET DOES **NOT** HAVE ANY UNPRINTED OR TURN OR MISSING PAGES OR ITEMS, ETC. IF SO, GET IT REPLACED BY A COMPLETE TEST BOOKLET.

2. ENCODE CLEARLY THE TEST BOOKLET SERIES **A, B, C** OR **D** AS THE CASE MAY BE IN THE APPROPRIATE PLACE IN THE ANSWER SHEET.

3. You have to enter your Roll Number on the Test Booklet in the Box provided alongside. **Do NOT** write anything else on the Test Booklet.

4. This Test Booklet contains **100** items (Questions). Each item is printed in **English.** Each item comprises four responses (answers). You will select the response which you want to mark on the Answer Sheet. In case you feel that there is more than one correct response with you consider the best. In any case, choose **ONLY ONE** response for each item.

5. You have to mark all your responses ONLY on the separate Answer Sheet provided. See direction in the answers sheet.

6. All items carry equal marks. Attempt all items. Your total marks will depend only on the number of **correct responses** marked by you in the answer sheet. For **every incorrect** response **1/3rd of the allotted marks** will be deducted.

7. Before you proceed to mark in the Answer sheet the response to various items in the Test booklet, you have to fill in some particulars in the answer sheets as per instruction sent to you with your Admission Certificate.

8. After you have completed filling in all responses on the answer sheet and the examination has concluded, you should hand over to Invigilator only the answer sheet. You are permitted to take away with you the Test Booklet.

9. Sheet for rough work are appended in the Test Booklet at the end.

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1. Which of the following is/are the components of high-powered money?

1. Currency held by public
2. Currency held by commercial banks
3. Foreign Exchange reserves held by RBI

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 only
(d) 1, 2 and 3

2. Consider the following statements with reference to Monetized deficit of the Government of India:

1. It is that part of the government deficit which is financed solely by borrowing from the Reserve Bank of India.
2. It involves only printing of high value currency notes by the RBI.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

3. A government cuts taxes and runs a budget deficit in order to stimulate consumer spending. However, consumer responds to it by increasing savings instead of spending more. The forward looking approach of consumers is based on the fact that increased borrowings by the government will be repaid by taxes in future. This will lead to a similar impact on the economy as borrowing by the government today.

Which of the following is best described in the passage given above?

(a) Ricardian equivalence
(b) Goodhart's law
(c) Okun's Law
(d) Grandfather clause

4. Consider the following statements regarding NIPUN Bharat Mission:

1. It covers children in the age group of 6-14 years.
2. NITI Aayog is the nodal agency for implementing this scheme.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

5. Consider the following statements about the Livestock Census:

1. It has been conducted in the country once every 5 years, since 1919-20.
2. It covers all domesticated animals and their headcounts.
3. It is conducted by the Union Ministry of Statistics and Program Implementation.

Which of the statements given above is/are correct?

(a) 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

6. Arrange the following renewable sources of energy in increasing order of their contribution to total installed capacity in India.

1. Solar Power
2. Wind Power
3. Bio Power

Select the correct answer using the code given below.

(a) 1-3-2
(b) 3-2-1
(c) 2-1-3
(d) 1-2-3

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7. Consider the following statements with reference to Agriculture sector during 1950-1990:

1. Indian agricultural productivity had increased during this period
2. The proportion of GDP contributed by agriculture increased significantly.
3. The proportion of the population working/depending on agriculture declined significantly.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1 and 2 only

8. Consider the following statements with reference to the cost-push inflation:

1. It is inflation caused by an increase in prices of inputs like labor and raw material.
2. This inflation is always a strong indicator of an expanding economy.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

9. Consider the following statements:

1. Autonomous transactions are independent of the deficit or surplus in the Balance of Payments.
2. Accommodating transactions refer to transactions that take place to cover deficit or surplus arising from autonomous transactions.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

10. With reference to Small Finance Banks (SFB), consider the following statements:

1. They are subject to the norms of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR).
2. At least 25 percent of its branches shall be in unbanked rural centers.
3. Priority sector must comprise 75% of their net credit.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 only
(c) 1 and 3 only
(d) 1, 2 and 3

11. With reference to Ways and Means Advances (WMA), consider the following statements:

1. It is a facility for both the Centre and states to borrow from the RBI, to balance temporary mismatches in cash flows.
2. Normal Ways and Means Advances are provided at lower interest rate than the repo rate.
3. The interest levied for Special Drawing Facilities/Special WMA is equal to the repo rate.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

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12. Which of the following are excluded from the National Income to calculate Personal Income?

1. Corporate Tax
2. Personal Tax payments
3. Transfer payments to the households from the Government
4. Undistributed profits

Select the correct answer using the code given below.

(a) 1 and 4 only
(b) 1, 3 and 4 only
(c) 2 and 3 only
(d) 2, 3 and 4 only

13. In the context of the types of Inflation, consider the following statements:

1. Headline Inflation refers to the change in the value of all goods in the basket including food and fuel.
2. Core Inflation is more volatile than headline inflation.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

14. Consider the following statements about the Micro Small and Medium Enterprises (MSMEs):

1. This sector is the largest employer of human resources in India.
2. It generates more employment opportunities per unit of capital invested compared to large industries.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

15. Aedes aegypti mosquito is an important vector that spreads many diseases. In this context which of the following diseases are spread by the Aedes aegypti mosquito?

1. Zika Virus
2. Chikungunya
3. Dengue
4. Yellow fever

Select the correct answer using the code given below.

(a) 1 and 4 only
(b) 1, 2 and 3 only
(c) 2, 3 and 4 only
(d) 1, 2, 3 and 4

16. In the context of Indian economy, which of the following measures is regarded as the National Income?

(a) Gross Domestic Product at market prices
(b) Net National Product at factor cost
(c) Gross National Product at factor cost
(d) Net National Product at market prices

17. Consider the following statements:

1. The Nominal effective exchange rate (NEER) is a multilateral rate representing the basket of foreign currencies, each weighted by its importance to the domestic country in international trade.
2. The Real Effective exchange rate (REER) is interpreted as the quantity of domestic goods required to purchase one unit of a given basket of foreign goods.
3. The nominal exchange rate is the true measure of a country's international competitiveness.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 only
(d) 1, 2 and 3

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18. Consider the following statements regarding Pre-paid Payment Instruments (PPIs) in India:

1. These are payment instruments that facilitate the purchase of goods and services.
2. Only those companies incorporated in India can issue PPIs in India.
3. These instruments do not permit cash withdrawal or redemption.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 only
(d) 1, 2 and 3

19. With reference to India's foreign trade on the eve of Independence, consider the following statements:

1. More than half of India's foreign trade was restricted to Britain.
2. During the colonial period, India often recorded a huge trade deficit.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

20. Consider the following statements with reference to the voting shares in International Monetary Fund (IMF):

1. United States has the maximum voting share followed by United Kingdom.
2. India occupies the fourth position with a voting share of above 5%.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

21. With reference to Outright Open Market Operations (OMO), consider the following statements:

1. Outright OMO are conducted without any promise to buy/sell the securities at a later stage.
2. Outright OMO are conducted for managing overnight liquidity mismatches.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

22. Which of the following characterize a situation of a 'liquidity trap' in an economy?

1. Decline in bond prices
2. Lower interest rates
3. High savings rates

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

23. Which of the following taxes are subsumed within the Goods and Service Tax (GST)?

1. Central Excise Duty
2. Stamp Duty
3. Octroi Tax
4. Luxury Tax

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 1, 3 and 4 only
(c) 1, 2 and 4 only
(d) 2, 3 and 4 only

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24. Recently, India has exported various Geographical Indication (GI) certified products. In this context which of the following is/are GI-tagged products?

1. Bhalia Wheat
2. Madurai Malli
3. Malda Fazli Mango

Select the correct answer using the code given below.

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

25. Consider the following statements with respect to the Association of Southeast Asian Nations (ASEAN):

1. ASEAN was established in 1967 with the signing of the Bangkok Declaration by the ten ASEAN member states.
2. The ASEAN Charter is a legally binding agreement on its member states.

Which of the statements given above is/are ***not*** correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

26. Which the following are a part of the World Bank Group?

1. International Finance Corporation (IFC)
2. Multilateral Investment Guarantee Agency (MIGA)
3. International Centre for Settlement of Investment Disputes (ICSID)

Select the correct answer using the code given below.

(a) 1 and 3 only
(b) 1 and 2 only
(c) 1, 2 and 3
(d) 2 and 3 only

27. Consider the following statements regarding Special Drawing Rights (SDRs):

1. SDR is a currency or claim on International Monetary Fund (IMF).
2. Any currency to be included in the SDR basket has to meet the export criterion and the freely usable criterion.
3. SDRs cannot be held by private individuals and entities.

Which of the statements given above are correct?

(a) 2 and 3 only
(b) 1, 2 and 3
(c) 1 and 3 only
(d) 1 and 2 only

28. Consider the following statements regarding the Market Stabilisation Scheme (MSS):

1. It aids in liquidity absorption in case of significant capital inflows in the economy.
2. MSS securities are included under the country's 'internal Central Government debt'.

Which of the statements given above are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

29. Consider the following statements regarding International Criminal Police Organization (INTERPOL):

1. It is a specialized agency of the United Nations.
2. The Red Notice often issued by INTERPOL is only against the persons accused of terrorism.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

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30. Consider the following statements about Shell companies:

1. They are corporate entities that do not have any active business operations.
2. They are defined as illegal entities under the Company Act 2013.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

31. In the context of macroeconomics, consider the following statements:

1. Flows are measured over a period of time and stocks are measured at a particular point in time.
2. Machines used for production are examples of capital goods.
3. Part of the final output that comprises capital goods constitutes the gross investment of an economy.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

32. With reference to Goods and Services Tax (GST), consider the following statements:

1. It is a value added tax imposed at every stage of the production process.
2. It is a destination based tax.
3. Integrated Goods and Service Tax (IGST) is levied and collected by the state of consumption.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 3 only
(d) 2 and 3 only

33. Recently, Indian scientists discovered a new species called Bryum bharatiensis in Antarctica. It is a type of

(a) Moss
(b) Lichen
(c) Bird
(d) Mammal

34. With reference to Participatory Notes (PNs), consider the following statements:

1. It is a derivative instrument issued by a SEBI registered Foreign Institutional Investor (FII) in foreign jurisdictions.
2. The investor in PN does not own the underlying Indian security.
3. PNs are freely tradeable and can be easily transferred from one investor to another.

Which of the statements given above is/are correct?

(a) 1, 2 and 3 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1 only

35. Consider the following statements about core industries included in all India Index of Industrial Production (IIP):

1. Its output data is published by the National Statistical Office.
2. It comprises more than 50% of the total weight of items included in IIP.
3. Fertilizers have the lowest weight among core industries in the index.

Which of the statements given above is/are ***not*** correct?

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

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36. Consider the following statements regarding the Asset Reconstruction Companies (ARCs) in India:

1. ARCs are regulated by the RBI as non-banking financial companies (NBFCs).
2. The ARC can take over only secured debts which have been classified as a non-performing asset (NPA).

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

37. Recently Kingdom of Eswatini has been in news for the sudden eruption of protests and subsequent violence. It is located in

(a) Africa
(b) Europe
(c) Asia
(d) South America

38. Which of the following provide official sources of data on unemployment in India?

1. Data of National Statistical Organisation (NSO)
2. Data by Director General of Employment and Training
3. Census of India

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1, 2 and 3
(d) 1 and 3 only

39. Payments Banks can provide which of the following services?

1. Current account for firms
2. Retail lending
3. Issue prepaid cards

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

40. With reference to Reserve Ratio in the banking sector, consider the following statements:

1. It is the percentage of deposits that a bank is mandated to keep with the RBI.
2. Higher reserve ratio tends to lower the credit supply in an economy.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

41. As per the Indus Water Treaty between India and Pakistan, recently India has decided to utilize excess water by diverting the waters of river Ujh. Ujh is a tributary of the river

(a) Sutlej
(b) Beas
(c) Ravi
(d) Jhelum

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42. The balance sheet is a record of the assets and liabilities of any firm. Which of the following items are classified as assets of a Bank?

1. Loans extended to farmers
2. Fixed Deposits of customers
3. Cash deposited with RBI

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

43. The Gross Domestic Product (GDP) of a country is not an index of the well-being of the people of that country because it does not take into account

1. Domestic services performed by women at home
2. Negative externalities caused by companies
3. Inequalities among the citizens

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

44. Consider the following statements about Agricultural Census in India:

1. It is carried out every five years as a Central Sector Scheme.
2. It was first conducted in India in the years 1920-21.
3. It is being conducted as a part of the World Census of Agriculture.

Which of the statements given above is/are correct?

(a) 2 only
(b) 1 and 2 only
(c) 1 and 3 only
(d) 1, 2 and 3

45. Organization of the Petroleum Exporting Countries (OPEC) is an intergovernmental organization that is often seen in news in the context of rising crude oil prices. Which of the following countries is ***not*** a member of OPEC?

(a) Nigeria
(b) Mexico
(c) Iran
(d) Libya

46. Consider the following statements about Agricultural Produce Market Committee (APMC):

1. It is a statutory market committee constituted by the Central Government.
2. It is constituted for trade in certain notified agricultural or horticultural or livestock products.
3. The whole geographical area in the State is divided and each one is declared as a market area which is managed by the APMC.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 and 3 only
(c) 1 and 2 only
(d) 3 only

47. Consider the following statements regarding the newly proposed Freight Smart Cities initiative:

1. Only 4-star ranked smart cities are eligible to be selected under this initiative.
2. It will have participation of both public and private sectors.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

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48. Primary Deficit is defined as the difference between:

(a) Fiscal deficit and grants for creation of capital assets.
(b) Fiscal deficit and net interest liabilities.
(c) Total expenditure and revenue receipts including non-debt creating capital receipts.
(d) Fiscal deficit and external grants received.

49. Gene based vaccines are said to be superior to conventional vaccines in many aspects. In this context, which of the following is/are possible benefits of gene based vaccines?

1. They are made with live or inactivated pathogens which can cause infection when the virus is not inactivated properly.
2. They can generate both cellular and humoral immunity.
3. They can be produced rapidly.

Select the correct answer using the code given below.

(a) 1 only
(b) 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

50. Consider the following statements regarding Public Debt Management in India:

1. Public Debt in India includes both Internal and External Debt incurred by the Central Government.
2. In India, Public Dent Management Agency (PDMA) is the sole agency responsible for managing public debt.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

51. Which of the following statements about Open Acreage License Policy (OALP) is /are correct?

1. it provides uniform licenses for the exploration and production of all forms of hydrocarbons.
2. Private players are allowed to carve out areas they want to explore oil and gas in.
3. It is a part of the Hydrocarbon Exploration and Licensing Policy (HELP).

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 2 only
(c) 1 and 3 only
(d) 1, 2 and 3

52. Consider the following statements with reference to the Minimum Support Prices (MSP):

1. It is the price fixed by State Government to protect the producer-farmers against excessive falls in price during the bumper production years.
2. It is announced just after the sowing season for certain crops.
3. It is announced on the basis of the recommendations of the Department of Agriculture & Cooperation.

Which of the statements given above is/are correct?

(a) 2 only
(b) 1 and 3 only
(c) 1 and 2 only
(d) None

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53. With reference to the sectoral pattern of consumption of commercial energy in India, consider the following statements:

1. At present, the transport sector is the largest consumer of commercial energy in India.
2. Over the decades, there has been a continuous fall in energy consumption of the agriculture sector.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

54. Recently an orbiter named HOPE has captured images of auroras on Mars. It was launched by which of the following countries?

(a) Europe
(b) United States of America
(c) United Arab Emirates
(d) France

55. Consider the following statements with reference to India's first Five Year Plan (FYP):

1. The plan made huge allocations for large-scale irrigation projects.
2. It focused on land reforms as the key to the country's development.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

56. What do you understand by the term 'Green GDP'?

(a) It refers to the monetary value of goods and services produced in renewable sectors in a country.
(b) It refers to total monetary value of finished goods and services produced in a country after adjusting for environmental damage.
(c) It refers to the potential GDP that can be achieved when a country's resources are fully exploited.
(d) It refers to the expected monetary value of the biodiversity in a country.

57. Consider the following statements regarding the Current Account of Balance of Payment:

1. It represents the trade in goods, services and assets between residents of a country with the rest of the world for a specified time.
2. The Net Invisibles component of the current account includes services and transfer of income.
3. The Balance of Trade (BOT) component includes the difference in value of exports and imports of goods only.

Which of the statements given above are correct?

(a) 1, 2 and 3
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1 and 3 only

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58. Consider the following statements about Micro-insurance:

1. It is to promote insurance coverage among economically vulnerable sections of society.
2. NGOs, Self Help Groups, or Micro Finance Institutions can be appointed by an insurer to act as a micro-insurance agent.
3. It is regulated by the Ministry of Finance.

Which of the statements given above is/are correct?

(a) 3 only
(b) 1 and 2 only
(c) 1 and 3 only
(d) 2 and 3 only

59. Under the New Economic Policy of 1991, which of the following reform policies were initiated by the government to promote liberalization of trade and investment?

1. Abolition of import quotas
2. Removal of export duties
3. Abolition of import licensing for all industries

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

60. Which of the following statements regarding the International Development Association (IDA) of World Bank is/are correct?

1. It aims to reduce poverty by providing loans only to the very poor developing nations.
2. IDA loans have a zero or very low-interest charge and repayments.

Select the correct answer using the code given below.

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

61. Consider the following statements with reference to inflation:

1. Inflation is the decline of purchasing power of a given currency over time.
2. Generally a decrease in money supply triggers inflation.

Which of the statements given above is/are ***not*** correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

62. Gross Domestic Product (GDP) at Market price is obtained from GDP at Factor cost by

(a) adjusting for depreciation
(b) accounting for inflation
(c) adjusting for net indirect taxes
(d) adjusting for current transfers from abroad

63. Securities Transaction Tax (STT), a type of financial transaction tax in India, is levied on transactions of which of the following?

1. Commodity trading
2. Gold exchange-traded funds
3. Equity derivatives

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

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64. With reference to the Wholesale Price Index (WPI), consider the following statements:

1. The Reserve Bank of India uses the WPI as a key measure of inflation to set monetary and credit policy.
2. WPI is published by the Ministry of Commerce and Industry quarterly.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

65. Consider the following statements regarding the World Trade Organization (WTO):

1. WTO is a UN specialized agency.
2. Decision-making at WTO is consensus-based rather than majority voting.

Which of the statements given above is/ are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

66. With reference to the Second Five Year Plan, consider the following statements:

1. It is based on the Mahalanobis model of economic development.
2. Industry and mining sectors received the highest percentage of resource allocation during the plan period.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

67. Which of the following statements with regard to National Skill Development Council (NSDC) is ***not*** correct?

(a) It is a not-for-profit public limited company
(b) It provides funds to companies that provide skill training.
(c) It was set up as part of a national skill development mission.
(d) It is chaired by the Prime Minister of India

68. Consider the following statements about Aviation Sector in India:

1. It is the third-largest air passenger market in the world.
2. In this sector, FDI over 49% will require government approval.
3. The Director-General of Civil Aviation regulates tariffs for aeronautical services.

Which of the statements given above is/are correct?

(a) 1 and 3 only
(b) 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

69. Consider the following statements about the National Mission for Sustainable Agriculture:

1. It is one of the core missions outlined under the National Action Plan on Climate Change.
2. It is implemented by the Union Ministry of Environment, Forest, and Climate Change.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

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70. Consider the following statements regarding the Organisation of Islamic Cooperation (OIC):

1. India has observer status at the Organisation of Islamic Cooperation.
2. The headquarters of OIC is located at Dubai.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

71. The term MCA21 recently in news is related to which of the following?

(a) It is a platform for trading in spot market
(b) It is an initiative of 21 countries to prevent climate change
(c) It is an e-Governance initiative for the corporate entities
(d) It is an indices used in blockchain technology

72. Consider the following pairs:

Business Enterprises (Manufacturing & Services)	**Criteria**
1. Micro	**:** Investment value less than 1 crore and turnover up to 10 crore
2. Small	**:** Investment value less than 10 crores and turnover up to 50 crore
3. Medium	**:** Investment value less than 50 crores and turnover up to 250 crore

Which of the pairs given above is/are correctly matched?

(a) 1 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

73. Which of the following committees was constituted to review the implementation of the FRBM (Fiscal Responsibility and Budget Management) Act and give its recommendations on the way forward?

(a) Vijay Kelkar Committee
(b) Rangachary Committee
(c) N. K. Singh Committee
(d) P. J. Nayak Committee

74. Consider the following statements about the Fair Price Shop:

1. It is defined in National Food Security Act, 2013.
2. It is a licensed shop for distributing essential commodities under the Essential Commodities Act, 1955 to the ration cardholder.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

75. Which of the following Central government liabilities constitute the Public Debt in India?

1. Internal Debt
2. External Debt
3. Public Account Liabilities

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1, 2 and 3
(d) 1 and 3 only

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76. The term 'Last Ice Area' is often seen in the news. It is located in

(a) Arctic
(b) Antarctica
(c) Himalayas
(d) Alps

77. With reference to Industrial Policy Resolution 1956, consider the following statements:

1. The resolution formed the basis of the Third Five Year Plan.
2. The policy completely rejected the private ownership of industries.
3. The policy was used for promoting industry in backward regions.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 3 only
(d) None

78. Consider the following statements regarding the spinner dolphins which were in the news recently:

1. It is found only in the Indian Ocean.
2. It is critically endangered as per the International Union for Conservation of Nature (IUCN) Red list.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

79. Consider the following statements:

1. The measurements of Gross Domestic Product (GDP) and Gross National Product (GNP) differ by net factor income from abroad.
2. Net National Product is calculated by deducting depreciation from the Gross National Product.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

80. Consider the following statements with reference to the Fiscal Responsibility and Budget Management (FRBM) Act, 2003:

1. The Act binds the present and future governments to adhere to fiscal consolidation.
2. There is no escape clause available to the government within the Act.
3. The Act mandates the government to table fiscal policy statements in each financial year before the Parliament.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 1 and 3 only
(c) 3 only
(d) 1, 2 and 3

81. Consider the following statements with reference to tax expenditure:

1. It is the expenditure incurred by the Government in the collection of taxes.
2. A statement of tax expenditure is presented to the Parliament at the time of Union Budget as a separate budget document.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

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82. Which of the following economic conditions triggered the 1991 economic crisis in India?

1. Rising prices of essential goods
2. High fiscal deficit due to continued government spending on development programmes
3. High growth rate of imports without matching the growth of exports

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 2 only
(c) 1 and 3 only
(d) 1, 2 and 3

83. Which of the following institutions is/are permitted to participate in the Liquidity Adjustment Facility (LAF) of RBI?

1. Scheduled commercial banks
2. Regional Rural Banks
3. Scheduled Urban Cooperative Banks

Select the correct answer using the code given below.

(a) 1 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

84. With reference to the inflationary gap, consider the following statements:

1. An inflationary gap occurs when the current real GDP is less than the potential GDP of an economy.
2. Elevated government expenditure is one of the causes of the inflationary gap.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

85. In the context of economics, Phillips Curve shows the relationship between

(a) Inflation and GDP growth
(b) Inflation and unemployment
(c) Unemployment and GDP growth
(d) Tax rates and tax revenue

86. Consider the following statements:

1. Capital Gains Tax is aimed at those companies which show zero or negligible income to avoid tax.
2. Minimum Alternate Tax applies on the sale of all assets if a profit has been made by the owner of the asset.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

87. Consider the following statements with reference to the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement:

1. It is a multilateral agreement negotiated at the WTO that guarantees minimum standards of IP protection.
2. TRIPS agreement does not allow governments to waive intellectual property rights in the interest of public health.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

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88. With reference to the Marginal Standing Facility (MSF), consider the following statements:

1. Its aim is to reduce volatility in the overnight lending rates in the inter-bank market.
2. Borrowing rate under this facility is always higher than the repo rate.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

89. Which of the following reform policies was/were initiated by the Government under the New Economic Policy of 1991?

1. Abolition of Industrial licensing for all product categories.
2. Establishment of private sector banks.
3. Allowing Foreign Institutional Investors to invest in Indian financial markets.

Select the correct answer using the code given below.

(a) 1 only
(b) 2 and 3 only
(c) 2 only
(d) 1, 2 and 3

90. With reference to changing patterns of the composition of India's International trade over the past seven decades, consider the following statements:

1. The share of agriculture and allied products in India's total exports is increasing continuously.
2. Import of capital goods maintained a steady decline.

Which of the statements given above is/ are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

91. In the context of the national economy, consider the following statements:

1. Total value of annual transactions in an economy is greater than the nominal GDP.
2. An increase in nominal GDP implies an increase in the total value of transactions.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

92. With reference to direct and indirect taxes in India, consider the following statements:

1. The burden of direct taxes can be shifted to another individual or entity.
2. The redistribution function of the government budget is achieved through progressive income taxation.
3. Corporate Tax is a type of indirect tax.

Which of the statements given above is/are correct?

(a) 1 and 3 only
(b) 2 only
(c) 2 and 3 only
(d) None

93. With reference to structural unemployment, consider the following statements:

1. Unemployment caused by technological disruptions is known as structural unemployment.
2. Fourth Industrial Revolution can cause structural unemployment if the current skillsets are rendered obsolete.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

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94. Consider the following statements about the Indian Pharmaceuticals industry:

1. It is the largest Pharmaceuticals industry in the world in terms of volume.
2. It is the largest provider of Generic Drugs globally.
3. 100% FDI is allowed in both greenfield and brownfield projects.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 only
(c) 1 and 3 only
(d) 1, 2 and 3

95. Consider the following statements regarding the G20-OECD Tax Framework Agreement:

1. This agreement does not cover digital companies like Google.
2. This framework proposes a maximum corporate tax of 15 percent.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

96. Which of the following are the components of Revenue expenditure of the Government Budget?

1. Interest payments
2. Defence services
3. Subsidies
4. Investment in shares

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 3 and 4 only
(c) 1, 2 and 3 only
(d) 2, 3 and 4 only

97. Rakesh lives in a village where the only source of employment is agriculture. He works productively for five months in the agricultural fields and gets no work in the remaining part of the year.

Which of the following types of unemployment is best described in the passage given above?

(a) Seasonal unemployment
(b) Disguised unemployment
(c) Structural unemployment
(d) Cyclic unemployment

98. Infrastructure status given to various sectors in the economy is granted by which of the following?

(a) Department of Financial Services (DFA), Ministry of Finance
(b) Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry
(c) Department of Economic Affairs (DEA), Ministry of Finance
(d) Reserve Bank of India (RBI)

99. Which of the following is/are the main objectives of setting up Special Economic Zones (SEZs)?

1. Promotion of exports of goods and services
2. Promotion of investment from foreign sources
3. Generation of additional economic activity

Select the correct answer using the code given below.

(a) 1 only
(b) 2 and 3 only
(c) 3 only
(d) 1, 2 and 3

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100. Consider the following statements with reference to the Horticulture Sector in India:

1. It contributes nearly one-third of the value of agriculture output.
2. India is the second-largest producer of fruits, vegetables, and spices in the world.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

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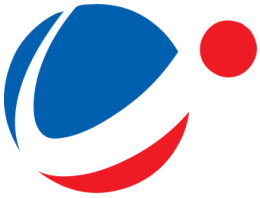

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ANSWERS & EXPLANATIONS
GENERAL STUDIES (P) TEST – 3476 (2022)

Q 1.A

- Determination of the money supply is currently expressed in terms of the monetary base or high-powered money.
- **High-powered money is the sum of commercial bank reserves** and **currency (notes and coins) held by the Public**. High-powered money is the base for the expansion of bank deposits and the creation of a money supply. **Hence only options 1 and 2 are correct.**
- The supply of money varies directly with changes in the monetary base and inversely with the currency and reserve ratios.
- The use of high-powered money consists of the demand of commercial banks for the legal limit or required reserves with the central bank and excess reserves, and the demand of the public for currency. Thus, High power money
  - H = C + RR + ER
    - ✓ Where, C = represent currency, RR = Required reserves, ER = The Excess reserves
- A commercial bank's reserves depend upon its deposits. But a bank usually holds reserves in excess of its required reserves. In fact, banks do not advance loans up to the legal limits and remain precisely under that. Hence the need arises for maintaining excess reserves by them.
- Thus, the money supply is determined by the required reserve ratio and the excess reserve ratio of commercial banks.
- The formal relation between the money supply and high powered money can be stated as in the form of equations:
  - The money supply(M) consists of deposits of commercial banks (D) and currency (C) held by the public.
  - Thus the supply of money (M) = D + C
- High-powered money (H) (or monetary base) consists of currency held by the public(C), required reserves (RR) and excess reserves of commercial banks.
- Thus, High powered money (H) = C + RR + ER

Q 2.A

- **Monetized deficit,** also known as the '**net reserve bank credit to the government'**, is that part of the **government deficit which is financed solely by borrowing from the RBI. Hence statement 1 is correct**
- Since borrowings from the RBI can be both **short-term and long-term**, therefore, **monetized deficit is the sum of the net issuance of short-term treasury bills, dated securities (that is, long-term borrowing from the RBI) and rupee coins held exclusively by the RBI, net of Government's deposits with the RBI. Hence statement 2 is not correct.**
- This is different from the Traditional Budget deficit in two ways-
- Traditional Budget deficit includes 91-day treasury bills held by both, the RBI and non-RBI entities whereas Monetized deficit includes 91-day Treasury Bills held only by the RBI.
- Traditional Budget deficit includes only short-term sources of finance whereas Monetized deficit includes long-term securities also.

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Term of Financing	Types of Financing	Types of Deficits		
Long term financing (a+b)	a) Long-term financing other than RBI			
	b) Long-term financing from RBI	Monetized deficit (b+c)	Traditional budget deficit (c+d+e)	Gross Fiscal deficit (a+b+c+d+e)
Short term financing (c+d+e)	c) Short-term financing from RBI			
	d) Short-term financing from other than RBI			
	e) Draw down of cash			

Q 3.A

- **The Ricardian equivalence theorem (RET) plays an important role in macroeconomic theory.** The RET suggests that fiscal stimuli which are defined in terms of deficit-financed public spending hikes or tax cuts will lead to a crowding out of private consumption, thereby decreasing the effectiveness of fiscal policy in boosting economic activity.
- It states that **consumers are forward-looking** and will base their spending not only on their current income but also on their expected future income. **They will understand that borrowing today means higher taxes in the future.**
- Further, **the consumer will be concerned about future generations** because they are the children and grandchildren of the present generation and the family which is the relevant decision making unit, continues living. **They would increase savings now, which will fully offset the increased government dissaving so that national savings do not change.**
- This view is called **Ricardian equivalence** after one of the greatest nineteenth century economists, **David Ricardo**, who first argued that in the face of high deficits, people save more. **Hence option (a) is the correct answer.**
- **It is called 'equivalence' because it argues that taxation and borrowing are equivalent means of financing expenditure**. When the government increases spending by borrowing today, which will be repaid by taxes in the future, it will have the same impact on the economy as an increase in government expenditure that is financed by a tax increase today.
- **Goodhart's Law** – It was the idea by goodhart which suggests that attempts by a **central bank (RBI in case of India) to regulate the level of lending by banks** imposing certain controls can be circumvented by the banks searching the alternatives out of regulatory preview.
- **Okun's Law** is based on the empirical research of **Arthur Okun**. It describes the **relationship between unemployment and growth rate** in an economy. The law is still used by policymakers as a rule of thumb to estimate the relationship between growth rate and job creation.
- **A grandfather clause** is an exemption that allows persons or entities to continue with activities or operations that were approved before the implementation of new rules, regulations, or laws. Such allowances can be permanent, temporary, or instituted with limits.

Q 4.D

- **NIPUN Bharat Mission has been launched to ensure that every child in the country necessarily attains foundational literacy and numeracy by the end of Grade 3, by 2026-27. NIPUN stands for National Initiative for Proficiency in Reading with Understanding and Numeracy.**
  - NIPUN Bharat comes under the **aegis of the centrally sponsored scheme of Samagra Shiksha.**
  - It is being l**aunched as a part of NEP (National Education Policy) 2020.**
  - **Department of School Education and Literacy is the nodal agency for implementing this scheme. Hence, statement 2 is not correct.**
- It focuses on
  - Providing access and retaining children in foundational years of schooling
  - Teacher capacity building
  - Development of high quality and diversified Student and Teacher Resources/Learning Materials
  - Tracking the progress of each child in achieving learning outcomes.

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- **NIPUN Bharat aims to cover the learning needs of children in the age group of 3 to 9 years. Hence, statement 1 is not correct.**
- Goals of the Mission are set in the form of Lakshya Soochi or Targets for Foundational Literacy and Numeracy. The Laskhyas are based on the learning outcomes developed by the NCERT and international research and ORF studies.
- Outcomes that have been envisaged from the implementation of the goals and objectives of NIPUN Bharat Mission are:
  - Foundational skills enable to keep children in class thereby reducing the dropouts and improve transition rate from primary to upper primary and secondary stages
  - Activity-based learning and conducive learning environment will improve quality of education.
  - Innovative pedagogies such as toy-based and experiential learning will be used in classroom transaction thereby making learning a joyful and engaging activity.
  - Intensive capacity building of teachers will make them empowered and provide greater autonomy for choosing the pedagogy.
  - Holistic development of the child by focusing on different domains of development like physical and motor development, socio-emotional development, literacy and numeracy development, cognitive development, life skills etc. which are interrelated and interdependent, which will be reflected in a Holistic Progress Card.
  - Since almost every child attends early grades, therefore, focus at that stage will also benefit the socio-economic disadvantageous group thus ensuring access to equitable and inclusive quality education.
- **A five-tier implementation mechanism will be set up at the National- State- District- Block- School level in all States and Union Territories under the aegis of the centrally sponsored scheme of Samagra Shiksha.**
- A special package for foundational literacy and Numeracy (FLN) under NISHTHA (National Initiative for School Heads and Teachers Holistic Advancement) is being developed by NCERT.

Q 5.B

- The Livestock Census **started in the country in the year 1919**. It is being conducted **once in 5 years**. So far, 20 livestock censuses have been conducted. **Hence statement 1 is correct.**
- Livestock Census is a complete count of the livestock and poultry at a pre-defined reference point of time. Similar to population census, primary workers are engaged to undertake house to house enumeration and ascertain the number, age, sex, etc., of livestock/poultry possessed by every household/household enterprise/non-household/non-household enterprises and institutions in rural & urban areas of the country.
- **The census usually covers all domesticated animals and headcounts of these animals are taken. Hence statement 2 is correct.**
- **It is conducted by the Ministry of Fisheries, Animal Husbandry & Dairying in participation with all State Governments and UT Administrations. Hence statement 3 is not correct.**
- The 20th Livestock Census was launched during the month of October 2018. The enumeration was done in both rural and urban areas. Various types of animals (cattle, buffalo, mithun, yak, sheep, goat, pig, horse, pony, mule, donkey, camel, dog, rabbit, and elephant)/poultry birds (fowl, duck, and other poultry birds) possessed by the households, household enterprises/non-household enterprises were counted at that site. Another important feature of the 20th Livestock Census is it has been designed to capture a Breed-wise number of animals and poultry birds.

Q 6.B

- As of 31 May 2021, the total installed capacity for Renewables is 95.66 GW with the following break up:
  - Wind power: 39.44 GW
  - Solar Power: 41.09 GW
  - BioPower: 10.34 GW
  - Small Hydro Power: 4.79 GW
- Wind energy capacity in India has increased by 2.2 times from FY 2016-17 to FY 2020-21
- Solar power capacity has increased by more than 5 times in the last five years from 6.7 GW to 40 GW in March 2021. Government of India further targets to increase the total Renewable Energy Capacity to 450GW by 2030.
- 42 solar parks of aggregate capacity 23,499 MW have been approved in 17 states up to March 2019Solar Parks in Pavagada (2 GW), Kurnool (1 GW) and Bhadla-II (648 MW) included in top 5 operational solar parks of 7 GW capacity in the country.
- The world's largest renewable energy park of 30 GW capacity solar-wind hybrid project is under installation in Gujarat
- **Hence, option (b) is the correct answer.**

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Q 7.A

- At independence, about 75 per cent of the country's population was dependent on agriculture. Productivity in the agricultural sector was very low because of the use of old technology and the absence of required infrastructure for the vast majority of farmers.
- The stagnation in agriculture induced as a result of colonial rule was permanently broken by the green revolution. This refers to the large increase in production of food grains resulting from the use of high-yielding variety (HYV) seeds especially for wheat and rice.
- The nation had immensely benefited from the green revolution. Thus, by the late 1960s, Indian agricultural productivity had increased sufficiently to enable the country to be self-sufficient in food grains. **Hence, statement 1 is correct.**
- Economists have found that as a nation becomes more prosperous, the proportion of GDP contributed by agriculture as well as the proportion of the population working in the sector declines considerably. In India, between 1950 and 1990, the proportion of GDP contributed by agriculture declined significantly from more than 50 percent in 1950 to 34 percent in 1990. **Hence, statement 2 is not correct.**
- On the negative side, some 65 per cent of the country's population continued to be employed in agriculture even as late as 1990. The population depending on agriculture declined slightly from 67.5 per cent in 1950 to 64.9 per cent by 1990. **Hence, statement 3 is not correct.**

Q 8.A

- Cost-push inflation is inflation caused by **an increase in prices of inputs like labor, raw material, etc.** The increased price of the factors of production leads to a **decreased supply of these goods. While the demand remains constant**, the prices of commodities increase causing a rise in the overall price level. This is in essence cost-push inflation. In this case, the overall price level increases due to higher costs of production which reflects in terms of increased prices of goods and commodities which majorly use these inputs. This is inflation triggered from the supply-side i.e. because of less supply. The opposite effect of this is called demand-pull inflation where higher demand triggers inflation. **Hence statement 1 is correct**
- Apart from the rise in prices of inputs, there could be other factors leading to supply-side inflation such as **natural disasters, global pandemics such as COVID-19 or depletion of natural resources, monopoly, government regulation or taxation, change in exchange rates,** etc. Generally, cost-push inflation may occur in the case of an inelastic demand curve where the demand cannot be easily adjusted according to rising prices.
- Recently the global pandemic of COVID-19 acted as a double-sided sword wherein India witnessed a cost-push as well as Demand-Pull inflation. The mass exodus of migrant laborers from industrial belts led to a decreased supply of manpower and thus leading to reduced production.
- **Demand-pull inflation is an indicator of a growing economy** as when consumers feel confident, they spend more and take on more debt. This leads to a steady increase in demand, which means higher prices. **Hence statement 2 is not correct.**

Q 9.C

- When the country's reserve bank is using its reserves of foreign exchange in order to balance any deficit in its balance of payments (BoP), it is called official reserve sale.
- International economic transactions are called autonomous when transactions are made due to some reason other than to bridge the gap in the balance of payments, that is, when they are independent of the state of BoP. One reason could be to earn profit. These items are called 'above the line' items in the BoP. **Hence, statement 1 is correct.**
- Accommodating transactions (termed 'below the line' items) refer to transactions that take place to cover deficit (or surplus) arising from autonomous transactions. They are determined by the gap in the balance of payments, that is, whether there is a deficit or surplus in the balance of payments. Since the official reserve transactions are made to bridge the gap in the BoP, they are seen as the accommodating item in the BoP (all others being autonomous). **Hence, statement 2 is correct.**

Q 10.D

- **The Small Finance Bank (SFB) is a private financial institution intended to further the objective of financial inclusion by primarily undertake basic banking activities of acceptance of deposits and lending to un-served and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganized sector entities, but without any restriction in the area of operations, unlike Regional Rural Banks or Local Area Banks.**
- Small Finance Banks were created pursuant to the announcement in Union Budget 2014-2015.

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- **Eligibility to Setup SFB**:
  - Resident individuals/professionals with 10 years of experience in banking and finance and companies and societies owned and controlled by residents will be eligible to set up small finance banks.
  - Existing Non-Banking Finance Companies (NBFCs), Micro Finance Institutions (MFIs), and Local Area Banks (LABs) that are owned and controlled by residents can also opt for conversion into small finance banks.
- **Conditions**:
  - The minimum capital for SFBs is prescribed at Rs. 100 crore with an initial contribution of 40% coming from the promoters, which over a period of 12 years, have to be reduced to 26%.
  - Foreign Investment is permitted as in the case of other private sector commercial banks.
  - After the small finance bank reaches the net worth of Rs.500 crore, listing its shares on a stock exchange will be mandatory within three years of reaching that net worth.
- **Regulations:**
  - **They are subject to all prudential norms and regulations of RBI as applicable to existing commercial banks like maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR). Hence, statement 1 is correct.**
  - **They are required to extend 75 percent of its Adjusted Net Bank Credit (ANBC) to the sectors eligible for classification as priority sector lending (PSL) by the Reserve Bank. Hence, statement 3 is correct.**
  - At least 50 percent of its loan portfolio should constitute loans and advances of up to Rs. 25 lakh.
  - It cannot set up subsidiaries to undertake non-banking financial services activities.
  - **It is stipulated that at least 25 percent of its branches shall be in unbanked rural centers. Hence, statement 2 is correct.**
- **Other function which can be performed by SFB**:
  - Distribution of mutual fund units, insurance products, pension products, etc.
  - They can also become a Category II Authorized Dealer in foreign exchange business for its clients' requirements.

Q 11.A

- **Recent Context:** Reserve Bank of India (RBI) has extended the interim **ways and means advances (WMAs)** limit to state governments to help them tide over the financial stress posed by the second wave of COVID-19.
- Under the RBI Act, 1934, **WMAs are the temporary advances given by the RBI to Centre and States to tide over any mismatch in receipts and payments.** Borrowings through WMA are to be repaid within three months and usually offered at the repo rate. **Hence, statement 1 is correct.**
- There are **two types of WMAs — normal Ways and Means Advances; and Special Drawing Facilities (SDF)** against government securities held by States as collateral. Any amount drawn by a State in excess of the normal WMA is an overdraft. There is a State-wise limit for the funds that can be availed via WMA. These limits depend on many factors, including total expenditure, revenue deficit and fiscal position of the State. WMA limits are revised periodically and the previous utilisation rates are considered while determining revised limits.
- The rate of interest applicable for **normal WMA** funding from RBI is the repo rate. **Hence, statement 2 is not correct.** The governments are, however, allowed to draw amounts in excess of their WMA limits. The interest on such overdraft is 2 percentage points above the repo rate.
- The interest levied for **special WMAs or Special Drawing Facility (SDF)** is one percentage point less than the repo rate due to the backing of government securities. **Hence, statement 3 is not correct.** After the state has exhausted the limit of SDF, it gets normal WMA.

Q 12.A

- We can subdivide the National Income into smaller categories. The part of NI which is received by households is called Personal Income (PI). It is calculated as follows.
- First, out of NI, which is earned by the firms and government enterprises, a part of the profit is not distributed among the factors of production. This is called **Undistributed Profits (UP).** We **have to deduct UP from NI** to arrive at PI since UP does not accrue to the households.
- Similarly, **Corporate Tax,** which is imposed on the earnings made by the firms, will also have to be **deducted from the NI**, since it does not accrue to the households.
- On the other hand, the households do receive interest payments from private firms or the government on past loans advanced by them. And households may have to pay interests to the firms and the government

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as well, in case they had borrowed money from either. So we have to **deduct the net interests paid by the households** to the firms and government.

- The households receive **transfer payments from the government** and firms (pensions, scholarships, prizes, for example) which have to be **added to calculate the Personal Income** of the households.
- Thus, **Personal Income (PI) ≡ NI – Undistributed profits – Net interest payments made by households – Corporate tax + Transfer payments to the households from the government and firms.**
- However, even PI is not the income over which the households have complete say as they have to pay taxes from PI. If we deduct the Personal Tax Payments (income tax, for example) and Non-tax Payments (such as fines) from PI, we obtain what is known as the Personal Disposable Income. So **Personal Income includes tax payments.**
- **Hence option (a) is the correct answer.**

Q 13.A

- Headline inflation is the total inflation in an economy. The headline inflation figure includes inflation in a basket of goods that includes commodities like food and energy. **Hence statement 1 is correct.**
- Core inflation excludes food and fuel items from headline inflation. **Since the prices of fuel and food items tend to fluctuate and create 'noise' in inflation computation, core inflation is less volatile than headline inflation. Hence statement 2 is not correct.**

Q 14.B

- Small Scale Industries in India have a large share of contribution to the socio-economic and balanced regional development of the country. These industries in India account for 95% of the industrial units in the country.
- **Statement 1 is not correct:** Micro Small and Medium Enterprises (MSMEs) have the second-largest share in terms of human resource employability after the Agriculture sector. It supplies an enormous variety of mass consumption products which includes readymade garments, hosiery goods, stationery items, soaps and detergents, plastic and rubber goods, processed foods and vegetables, etc.
- **Statement 2 is correct:** MSMEs sector generates more employment opportunities per unit of capital invested compared to large-scale industries. That is why they are considered to be less capital intensive and more labour intensive. This is a boon for a labour surplus country like India.

Q 15.D

- **Recently in July 2021 multiple cases of Zika virus were identified in the state of Kerala and the state was put on a high alert.**
- **Zika virus is a member of the virus family Flaviviridae and It is spread by daytime-active Aedes mosquitoes like Aedes aegypti and Aedes albopictus.**
  - **Zika virus infection during pregnancy can result in a condition called microcephaly in infants.**
- **Apart from the Zika virus, Aedes aegypti is the primary transmitter of the viruses like:**
  - **Chikungunya**
    - ✓ Chikungunya is found worldwide, particularly in Africa, Asia and India. Symptoms usually appear within a week of infection. Fever and joint pain come on suddenly. Muscle pain, headache, fatigue and rash may also occur. Treatment is aimed at relieving symptoms.
  - **Dengue**
    - ✓ Symptoms include high fever, headache, rash and muscle and joint pain. In severe cases, there is serious bleeding and shock, which can be life threatening.
  - **Yellow fever**
    - ✓ Symptoms include fever, headache, nausea and vomiting. Serious cases may cause fatal heart, liver and kidney conditions. No specific treatment for the disease exists.
- **Hence, option (d) is the correct answer.**

Q 16.B

- **Gross National Product** is the total measure of the flow of goods and services at market value resulting from current production during a year in a country, including net income from abroad. Hence,
  - **GNP ≡ GDP + Net factor income from abroad.**
- A part of the capital gets consumed during the year due to wear and tear. This wear and tear is called depreciation. Naturally, depreciation does not become part of anybody's income. If we deduct depreciation from GNP the measure of aggregate income that we obtain is called **Net National Product (NNP).**
  - **NNP ≡ GNP – Depreciation**

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- It is to be noted that the above variables are evaluated at market prices. But market price includes indirect taxes. When indirect taxes are imposed on goods and services, their prices go up. Indirect taxes accrue to the government. We have to deduct them from NNP evaluated at market prices in order to calculate that part of NNP which actually accrues to the factors of production. Similarly, there may be subsidies granted by the government on the prices of some commodities (in India petrol is heavily taxed by the government, whereas cooking gas is subsidised). So we need to add subsidies to the NNP evaluated at market prices. The measure that we obtain by doing so is called **Net National Product at factor cost which is also called as National Income.**
- Thus, **NNP at factor cost ≡ National Income (NI) ≡ NNP at market prices – (Indirect taxes – Subsidies)** ≡ NNP at market prices – Net indirect taxes (Net indirect taxes ≡ Indirect taxes – Subsidies)
- **Hence option (b) is the correct answer.**

Q 17.A

- Foreign exchange market is the market in which national currencies are traded for one another. The major participants in this market are commercial banks, foreign exchange brokers and other authorised dealers and the monetary authorities.
- **The price of one currency in terms of the other is known as the exchange rate.**
- The **nominal exchange rate describes the rate at which an individual can trade the currency of one country for the currency of another country.** That means it measures how much of currency B can be bought in exchange for currency A or vice versa
- The **real exchange rate describes the rate at which an individual can trade the goods and services of one country for the goods and services of another country.** That means it describes how much of a foreign good or service can be exchanged for one unit of a domestic product.
- **Real exchange rate = ePf/ P**, where P and Pf are the price levels here and abroad, respectively, and e is the rupee price of foreign exchange (the nominal exchange rate).
- If the real exchange rate is equal to one, currencies are at **purchasing power parity.**
- If the real exchange rises above one, this means that goods abroad have become more expensive than goods at home. **The real exchange rate is often taken as a measure of a country's international competitiveness. Hence statement 3 is not correct.**
- **Nominal Effective Exchange Rate (NEER)** which is a multilateral rate representing the price of a representative basket of foreign currencies, each weighted by its importance to the domestic country in international trade. The average of export and import shares is taken as an indicator of this. **Hence statement 1 is correct.**
- The **Real Effective Exchange Rate (REER)** is calculated as the weighted average of the real exchange rates of all its trade partners, the weights being the shares of the respective countries in its foreign trade. **It is interpreted as the quantity of domestic goods required to purchase one unit of a given basket of foreign goods. Hence statement 2 is correct.**

Q 18.A

- **Pre-paid Payment Instruments (PPIs) are defined in the RBI Guidelines issued under the Payment and Settlements Systems Act, 2005 as payment instruments that facilitate the purchase of goods and services, including funds transfer, against the value stored on such instruments. Hence, statement 1 is correct.**
- The value stored on such instruments represents the value paid for by the holders by cash, by debit to a bank account, or by credit card.
- The pre-paid instruments can be issued as smart cards, magnetic stripe cards, internet accounts, internet wallets, mobile accounts, mobile wallets, paper vouchers and any such instrument which can be used to access the pre-paid amount.
- The Payment and Settlement Systems Act, 2007 provides for the regulation and supervision of PPIs in India. Reserve Bank of India (RBI) is the regulatory authority for this purpose.
- RBI has broadly classified the PPIs into three categories:
  - **Closed System Payment Instruments**
    - ✓ These are issued by an entity for facilitating the purchase of goods and services from it.
    - ✓ They do not permit cash withdrawal or redemption.
    - ✓ They are not classified as payment systems. Hence, RBI approval is not required for issuing them.
    - ✓ E.g. online shopping vouchers by Flipkart, Amazon etc.
  - **Semi-Closed System Payment Instruments**
    - ✓ Besides the purchase of goods and services, they can be used for financial services at a group of clearly identified merchant locations/ establishments which have a specific contract with the issuer to accept the payment instruments.

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- ✓ They do not permit cash withdrawal or redemption by the holder.
- ✓ Instruments of upto Rs.1,00,000/- can be created by with full Know Your Client norms (KYC) and can be reloaded.

- **Open System Payment Instruments**
  - ✓ **Besides, purchase of goods and services, financial services like funds transfer at any card accepting merchant locations they also permit cash withdrawal at ATMs / Banking Correspondents (BCs). Hence, statement 3 is not correct.**
  - ✓ However, cash withdrawal at POS is permitted only upto a certain limit set by RBI.
- **Who can issue prepaid payment instruments in India?**
  - ✓ **Only those companies incorporated in India and have a minimum paid-up capital of Rs. 5 crore and minimum positive net worth of Rs. 1 crore at all times are permitted to issue PPIs in India. Hence, statement 2 is correct.**
  - ✓ Banks who comply with the eligibility criteria are permitted to issue all categories of PPIs. However, only those banks which have been permitted to provide Mobile Banking Transactions by the Reserve Bank of India are permitted to launch mobile-based pre-paid payment instruments (mobile wallets & mobile accounts).
  - ✓ Non-Banking Financial Companies (NBFCs) and other persons are permitted to issue only closed and semi-closed system payment instruments, including mobile phone-based pre-paid payment instruments.
  - ✓ Non-bank persons issuing payment instruments are required to maintain their outstanding balance in an escrow account with any one of the scheduled commercial banks.

Q 19.A

- The restrictive policies of commodity production, trade, and tariff pursued by the colonial government adversely affected the structure, composition and volume of India's foreign trade.
- Consequently, India became an exporter of primary products and an importer of finished consumer goods produced in the factories of Britain.
- For all practical purposes, **Britain maintained monopoly control over India's exports and imports. As a result, more than half of India's foreign trade was restricted to Britain** while the rest was allowed with a few other countries like China, Ceylon (Sri Lanka) and Persia (Iran). **Hence, statement 1 is correct.**
- **The most important characteristic of India's foreign trade throughout the colonial period was the generation of a large export surplus.** But this surplus came at a huge cost to the country's economy. Several essential commodities—food grains, clothes, kerosene etc. — were scarcely available in the domestic market. **Hence, statement 2 is not correct.**
- Furthermore, this export surplus did not result in any flow of gold or silver into India. Rather, this was used to make payments for the expenses incurred by an office set up by the colonial government in Britain, expenses on war, again fought by the British government, and the import of invisible items, all of which led to the drain of Indian wealth

Q 20.D

- When a country joins the IMF, it is assigned an initial quota in the same range as the quotas of existing members of broadly comparable economic size and characteristics. The IMF uses a quota formula to help assess a member's relative position.
- The quota in turn determines the weight each country has within the IMF—and hence its voting rights—as well as how much financing it can receive from the IMF. Twenty-five percent of each country's quota is paid in the form of special drawing rights (SDRs), which are a claim on the freely usable currencies of IMF members.
- The top 10 largest members according to the voting share are:
  - United States (16.50%), Japan (6.14%), China (6.08%) **Hence statement 1 is not correct.**
  - Germany (5.31%), France (4.03%), United Kingdom (4.03%)
  - Italy (3.02%), India (2.63%) **Hence statement 2 is not correct.**
  - Russia (2.59%) and Brazil (2.22%)

Q 21.A

- The RBI is authorised to deal in Government securities under Section 17(8) of the Reserve Bank of India Act, 1934 through open market operations.
- There are two types of open market operations: outright and repo.

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- **Outright open market operations**
  - They are permanent in nature: when the central bank buys these securities (thus injecting money into the system), it is without any promise to sell them later. **Similarly, when the central bank sells these securities (thus withdrawing money from the system), it is without any promise to buy them later. Hence statement 1 is correct.**
  - As a result, the injection/absorption of money is of permanent nature.
- **Repo open market operations**
  - When the central bank buys the security, the agreement of purchase also has specifications about date and price of the resale of this security. This type of agreement is called a repurchase agreement or repo. The interest rate at which the money is lent in this way is called the repo rate.
  - Similarly, instead of an outright sale of securities the central bank may sell the securities through an agreement which has a specification about the date and price at which it will be repurchased. This type of agreement is called a reverse repurchase agreement or reverse repo. The rate at which the money is withdrawn in this manner is called the reverse repo rate.
  - Open market operations via Repo and Reverse Repo operations are conducted under Liquidity Adjustment Facility.
- While the outright OMO are directed at influencing enduring (long term) liquidity, the LAF OMO operations target the temporary liquidity in the system. **Hence, statement 2 is not correct.**

Q 22.D

- A **liquidity trap** is a contradictory economic situation in which **interest rates are very low** and **savings rates are high**, rendering monetary policy ineffective. **Hence options 2 and 3 are correct.**
- It was first described by economist John Maynard Keynes.
- During a liquidity trap, consumers choose to avoid bonds and keep their funds in cash savings because of the prevailing belief that interest rates could soon rise (which would **push bond prices down and yields up**). Because bonds have an inverse relationship to interest rates, many consumers do not want to hold an asset with a price that is expected to decline. **Hence option 1 is correct.**
- At the same time, central bank efforts to spur economic activity are hampered as they are unable to lower interest rates further to incentivize investors and consumers.
- While a liquidity trap is a function of economic conditions, it is also psychological since consumers are making a choice to hoard cash instead of choosing higher-paying investments because of a negative economic view.
- A liquidity trap is not limited to bonds. It also affects other areas of the economy, as consumers are spending less on products which means businesses are less likely to hire.
- Some ways to get out of a liquidity trap include raising interest rates, hoping the situation will regulate itself as prices fall to attractive levels, or increased government spending.

Q 23.B

- **Goods and Services Tax (GST)** refers to the single unified tax created by amalgamating a large number of Central and State taxes presently applicable in India.
- The **101st Constitution Amendment Act of September 2016 made in this regard, inserted a definition of GST in Article 366 of the constitution by inserting a sub-clause 12A.** As per that, GST means any tax on supply of goods, or services, or both, except taxes on supply of the alcoholic liquor for human consumption. And here, services are defined to mean anything other than goods.
- GST replaced the following taxes **levied and collected by the Centre:-Central Excise duty,** -Excise Duty levied under the Medicinal and Toilet Preparations (Excise Duties) Act 1955.-Additional Excise Duties (Goods of Special Importance), Additional Excise Duties (Textiles and Textile Products).-Additional Customs Duty (commonly known as Countervailing duties or CVD).-Special Additional Duty of Customs (SAD).-Service Tax.-Cesses and Surcharges in so far as they relate to the supply of goods and services.-Taxes on the sale or purchase of newspapers and on advertisements published therein.
- **State taxes** that are subsumed within the GST are:-State VAT/ Sales Tax, Central Sales Tax (levied by the Center and collected by the States).-**Luxury Tax-Octroi Tax**-Entry Tax i.e, taxes on the entry of goods into a local area for consumption, use or sale therein. (other than those in lieu of octroi).-Purchase Tax-Entertainment Tax which is not levied by the local bodies; i.e. panchayats, municipalities and District councils of autonomous districts can impose taxes on entertainment and amusements.-Taxes on general advertisements, Taxes on lotteries, betting and gambling.-State cesses and surcharges insofar as they relate to supply of the goods or services.
- **GST does not subsume Stamp Duty and Basic Custom Duty.**

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- Basic custom duty is the duty imposed on the value of the goods at a specific rate. The duty is fixed at a specified rate of ad-valorem basis. Other Customs duties like Countervailing Duty (CVD) and Special Additional Duty (SAD) is subsumed under GST. **Hence option (b) is the correct answer.**

Q 24.D

- A geographical indication (GI) is a sign used on products that have a specific geographical origin and possess qualities or a reputation that are due to that origin. In order to function as a GI, a sign must identify a product as originating in a given place.
- India has enacted the Geographical Indications of Goods (Registration and Protection) Act,1999. This Act seeks to provide for the registration and better protection of geographical indications relating to goods in India.
- This Act is administered by the Controller General of Patents, Designs and Trade Marks, who is the Registrar of Geographical Indications. The Geographical Indications Registry is located at Chennai.
- **Recently in July 2021, the first shipment of Geographical Indication (GI) certified Bhalia variety of wheat was exported to Kenya and Sri Lanka from Gujarat. Hence option 1 is correct.**
  - The GI-certified wheat has high protein content and is sweet in taste. The crop is grown mostly across Bhal region of Gujarat, including Ahmedabad, Anand, Kheda, Bhavanagar, Surendranagar, Bharuch districts.
- **In July 2021 Madurai Malli a GI-certified flower has been exported to United States. Hence option 2 is correct.**
  - Agriculture and Processed Food Export Development Authority (APEDA) included jasmine from the Madurai region as a prominent floriculture product and is encouraging its export by offering a slew of incentives to growers.
- **A consignment of GI-certified Fazil mango variety sourced from the Malda district of West Bengal has been exported to Bahrain recently. Hence option 3 is correct.**
  - Fazil Mango is cultivated mainly in West Bengal. It is a late-maturing fruit and is commonly used in jams and pickles in the cuisine of the Indian subcontinent.

Q 25.A

- **The Association of Southeast Asian Nations, or ASEAN, was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (Bangkok Declaration) by the Founding Fathers of ASEAN, namely Indonesia, Malaysia, Philippines, Singapore and Thailand. Hence, statement 1 is not correct.**
- Brunei Darussalam then joined on 7 January 1984, Viet Nam on 28 July 1995, Lao PDR and Myanmar on 23 July 1997, and Cambodia on 30 April 1999, making up what is today the ten Member States of ASEAN.
- The ASEAN Charter entered into force on 15 December 2008. With the entry into force of the ASEAN Charter, ASEAN will henceforth operate under a new legal framework and establish a number of new organs to boost its community-building process. In effect, the ASEAN Charter has become a legally binding agreement among the 10 ASEAN Member States. **Hence, statement 2 is correct.**
- The ASEAN-India Trade in Goods Agreement was signed in 2009 and on ASEAN-India Trade-in-Services and Investments in 2015. With the signing of these Agreements, the ASEAN-India FTA is complete.

Q 26.C

- The World Bank is like a cooperative, made up of 189 member countries. These member countries, or shareholders, are represented by a Board of Governors, who are the ultimate policymakers at the World Bank.
- **International Finance Corporation (IFC)**, a member of the World Bank Group, advances economic development and improves the lives of people by encouraging the growth of the private sector in developing countries.
- **The Multilateral Investment Guarantee Agency (MIGA)** is a member of the World Bank Group. MIGA provides political risk insurance (guarantees) for projects in a broad range of sectors in developing member countries, covering all regions of the world.
- **International Centre for Settlement of Investment Disputes (ICSID)** is the world's leading institution specializing in international investment dispute settlement. States have agreed on ICSID as a forum for Investor-State dispute settlement in most international investment treaties and in numerous investment laws and contracts. ICSID is an independent, depoliticized and effective dispute-settlement institution. ICSID provides for settlement of disputes by conciliation, arbitration or fact-finding.
- **Hence option (c) is the correct answer.**

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Q 27.A

- The SDR was created as a supplementary international reserve asset in the context of the Bretton Woods fixed exchange rate system. The collapse of Bretton Woods system in 1973 and the shift of major currencies to floating exchange rate regimes lessened the reliance on the SDR as a global reserve asset. Nonetheless, SDR allocations can play a role in providing liquidity and supplementing member countries' official reserves, as was the case amid the global financial crisis.
- The SDR serves as the unit of account of the IMF and some other international organizations.
- **The SDR is neither a currency nor a claim on the IMF. Hence, statement 1 is not correct.** Rather, it is a potential claim on the freely usable currencies of IMF members. SDRs can be exchanged for these currencies.
- **Currencies included in the SDR basket have to meet two criteria: the export criterion and the freely usable criterion. Hence, statement 2 is correct.**
- A currency meets the export criterion if its issuer is an IMF member or a monetary union that includes IMF members, and is also one of the top five world exporters. For a currency to be determined "freely usable" by the IMF, it has to be widely used to make payments for international transactions and widely traded in the principal exchange markets.
- The IMF has the authority to prescribe other holders of SDRs, non-members, member countries that are not SDR Department Participants, institutions that perform the functions of a central bank for more than one member, and other official entities. **SDRs cannot be held by private entities or individuals. Hence, statement 3 is correct.**

Q 28.C

- **Market Stabilization scheme (MSS) is a monetary policy intervention by the RBI to withdraw excess liquidity (or money supply) by selling government securities in the economy**. It was introduced in April 2004. **Hence, statement 1 is correct.**
- **Evolution of MSS**
  - **MSS was initially launched to withdraw the excess liquidity in the system that was generated as a result of the RBI's purchase of foreign currencies in the foreign exchange market.**
  - From 2002 onwards, there was a huge inflow of foreign capital into India. This led to the appreciation of rupee. Since appreciation is not good for exports, the RBI intervened in the foreign exchange market by buying dollars. To buy dollars, the RBI has to give rupees. In this way, high selling of rupees leads to excess liquidity (rupee) and thereby creating a potential for inflation.
  - To overcome this situation, the RBI has sold government bonds on a general basis depending upon the volume of excess liquidity in the system. Here bonds go to financial institutions and money goes back to the RBI. This withdrawal of excess liquidity is called sterilization.
- **Securities sold under MSS**
  - The issued securities are government bonds and they are called as Market Stabilisation Bonds (MSBs).
  - These securities are owned by the government though they are issued by the RBI.
  - To carry out the MSS, the government lends its bonds or securities (MSBs) to the RBI. In this way, the RBI becomes a debtor to the government equal to the value of the MSBs.
  - Government and the RBI decide the total limit of MSBs.
  - The securities or bonds/t-bills issued under MSS are purchased by financial institutions. They will get an interest in purchasing the securities.
  - **MSB possesses all the attributes of existing Treasury-Bills/Dated Securities and is included as a part of the country's 'internal Central Government debt'. Hence, statement 2 is correct.**
- **Money raised via MSS**
  - The amount raised under the MSS does not get credited to the Government Account but is maintained in a separate cash account with the RBI and are used only for the purpose of redemption/buyback of Treasury-Bills/Dated Securities issued under the scheme.
  - This is because, if it is transferred, the government will spend the money in the economy thereby adding to liquidity.
- **How interest payments for MSBs are met?**
  - The money procured from selling bonds under MSS is kept with the RBI. For the interest payment, the government allocates money from its budget to the RBI. This expenditure to service interest payment for MSBs is called carrying cost.

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Q 29.D

- **Recently, International Criminal Police Organization (INTERPOL), acting on India's request, has issued a fresh red notice against Lashkar-e-Taiba (LeT) chief Hafiz Muhammad Saeed for spearheading anti-India activities from across the border.**
- INTERPOL is an intergovernmental organization that facilitates worldwide police cooperation and crime control.
  - It was founded in 1923 as the International Criminal Police Commission (ICPC), adopting many of its current duties throughout the 1930s.
  - It has a membership of 194 countries and is headquartered in Lyon, France.
- It has seven regional bureaus worldwide and a National Central Bureau (NCB) in all 194 member states, making it the world's largest police organization. CBI is the designated NCB of India.
- **INTERPOL has its own constitution and general regulations. It is also a Permanent Observer at the United Nations since 1996. It is not a specialized agency of the United Nations. Hence statement 1 is not correct.**
- The General Assembly is the governing body of INTERPOL and it brings all countries together once a year to take decisions.
- The General Secretariat coordinates day-to-day activities to fight a range of crimes. It is Run by the Secretary-General and is staffed by both police and civilians.
- In fulfilling its duties INTERPOL regularly issues various notices for various crimes. These notices are international requests for cooperation or alerts allowing police in member countries to share critical crime-related information.
- Notices are published by the General Secretariat at the request of a National Central Bureau and are made available to all our member countries.
- Various notices issued by INTERPOL are
  - **Red Notices are issued for fugitives wanted either for prosecution or to serve a sentence.**
    - ✓ **A Red Notice is a request to law enforcement worldwide to locate and provisionally arrest a person pending extradition, surrender, or similar legal action.**
      - **It can be issued against any person who is wanted for prosecution in any case and not just against the terror accused. Hence statement 2 is not correct.**
    - ✓ **Yellow Notice:** To help locate missing persons, often minors, or to help identify persons who are unable to identify themselves.
    - ✓ **Blue Notice:** To collect additional information about a person's identity, location or activities in relation to a crime.
    - ✓ **Black Notice:** To seek information on unidentified bodies.
    - ✓ **Green Notice:** To provide a warning about a person's criminal activities, where the person is considered to be a possible threat to public safety.
    - ✓ **Orange Notice:** To warn of an event, a person, an object or a process representing a serious and imminent threat to public safety.
    - ✓ **Purple Notice:** To seek or provide information on modus operandi, objects, devices and concealment methods used by criminals.
    - ✓ **INTERPOL–United Nations Security Council Special Notice:** Issued for groups and individuals who are the targets of UN Security Council Sanctions Committees.

Q 30.A

- The term shell company is used for illegal companies whose basis of purpose of creation is derived from a 'shell' which has an outer covering but nothing inside that is a Shell company does no substantial tangible business. Such companies are generally only in papers and are mostly established in tax havens.
- **Statement 1 is correct:** Shell companies are corporate entities that do not have any significant assets in their possession or any active business operations.
- These companies are generally involved in money laundering and tax avoidance activities. The main purpose is to divert money for tax evasion and route money generated from illegal activities to formal financial institutions.
- **Statement 2 is not correct:** Shell companies are not defined under any specific law. **The Companies Act, 2013 does not define shell companies and what activities constitute shell companies.**
- However to curb illegal activities shell companies can be targeted under laws such as:
  - Benami Transaction (Prohibition) Amendment Act 2016
  - The Prevention of Money Laundering Act 2002
  - The Companies Act, 2013

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Q 31.D

- In economics, we often distinguish between quantities that are **stocks** and those that are **flows.** These differ in their units of measurement. A stock is measured at one specific time and represents a quantity existing at that point in time, which may have accumulated in the past. A flow variable is measured over an interval of time. Therefore, a flow would be measured per unit of time (say a year). Flow is roughly analogous to rate or speed in this sense.
- For example, Indian nominal gross domestic product refers to the total number of dollars spent over a time period, such as a year. Therefore, it is a flow variable and has units of dollars/year. In contrast, India's nominal capital stock is the total value, in dollars, of equipment, buildings, and other real productive assets in the U.S. economy, and has units of dollars. Hence **flows are defined over a period of time and stocks are defined at a particular point of time. Hence statement 1 is correct.**
- An item that is meant for final use and will not pass through any more stages of production or transformations is called a final good. Of the final goods, we can distinguish between consumption goods and capital goods. Goods like food and clothing and services like recreation that are consumed when purchased by their ultimate consumers are called consumption goods.
- There are other goods that are of a durable character that is used in the production process. These are **tools, implements, and machines.** While they make the production of other commodities feasible, they themselves don't get transformed in the production process. These goods form a part of capital, which continue to enable the production process to go on for continuous cycles of production. These are called **Capital goods.** That part of our final output that **comprises of capital goods constitutes gross investment of an economy.** These may be machines, tools and implements; buildings, office spaces, storehouses or infrastructure like roads, bridges, airports or jetties. **Hence statements 2 and 3 are correct.**

Q 32.B

- Goods and Services Tax (GST) refers to the single unified tax created by amalgamating a large number of Central and State taxes presently applicable in India. **The 101st constitution Amendment Act of September 2016 made in this regard, inserted a definition of GST in Article 366 of the constitution by inserting a sub-clause 12A.**
- As per that, GST means any tax on supply of goods, or services, or both, except taxes on supply of the alcoholic liquor for human consumption. And here, services are defined to mean anything other than goods.
- **It follows a multi-stage collection mechanism. In this, tax is collected at every stage and the credit of tax paid at the previous stage is available as a set off at the next stage of transaction. Hence statement 1 is correct.**
- This shifts the tax incidence near to the consumer and benefits the industry through better cash flows and better working capital management.
- **It is a destination based tax as the goods/services will be taxed at the place where they are consumed and not at the origin. Hence statement 2 is correct.**
- GST comes under the broad spectrum of what is known as **Value Added Tax** which provides for input credits and taxes only the value addition that happened in the process of production / provision of service.
- **CGST and SGST would be levied at rates to be mutually agreed upon by the Centre and the States**.
- Credit of CGST paid on inputs may be used only for paying CGST on the output and the credit of SGST paid on inputs may be used only for paying SGST. In other words, the two streams of input tax credit cannot be mixed except in specified circumstances of inter-State sales.
- **The Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supply of goods and services. There will be seamless flow of input tax credit from one State to another. Proceeds of IGST will be apportioned among the States. Hence statement 3 is not correct.**

Q 33.A

- **A team of scientists from Punjab has discovered a new moss species in eastern Antarctica and named it Bryum bharatiensis as a tribute to goddess Saraswati, also known as Bharati. One of India's Antarctic stations is also called Bharati.**
- This species was found on the rocks near the Indian Antarctic station Bharati on Larsemann Hills, East Antarctica.
- This is the first time India discovered a plant species since the research station was set up in Antarctica in 1984.
- The Indian Antarctic Mission was begun in 1981. The first Antarctic station, Dakshin Gangotri, was set up in 1984. An unmanned station, it had to be decommissioned in 1990 as it got submerged in ice.

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- Later Maitri was commissioned in 1989 while the Bharati station was established in 2012.
- **Hence option (a) is the correct answer.**

Q 34.A

- **A Participatory Note (PN or P-Note) in the Indian context, in essence, is a derivative instrument issued in foreign jurisdictions, by a SEBI registered Foreign Institutional Investor (FII) or its sub-accounts or one of its associates, against underlying Indian securities. Hence, statement 1 is correct.**
- The off-shore derivative market allows investors to gain exposure to the local shares without incurring the time and costs involved in investing directly.
- The underlying Indian security instrument may be equity, debt, derivatives, or may even be an index.
- PNs are also known as Overseas Derivative Instruments, Equity Linked Notes, Capped Return Notes, and Participating Return Notes etc.
- Regulation excludes a certain category of Foreign portfolio investors, like individuals, from issuing the PNs) against securities held by it that are listed or proposed to be listed on any recognized stock exchange in India.
- **The investor in PN does not own the underlying Indian security, which is held by the FII who issues the PN. Thus the investors in PNs derive the economic benefits of investing in the security without actually holding it. They benefit from fluctuations in the price of the underlying security since the value of the PN is linked with the value of the underlying Indian security. The PN holder also does not enjoy any voting rights in relation to security/shares referenced by the PN. Hence, statement 2 is correct.**
- Being derivative instruments and freely tradable, PNs can be easily transferred, creating multiple layers, thereby obfuscating the real beneficial owner. It is in this respect that concerns about the identity of the ultimate beneficial owner and the source of funds arise.
- **For the reason that such instruments are issued outside India, these transactions are outside the purview of SEBI surveillance and it is the FIIs which acts as mini-exchange overseas. Hence, statement 3 is correct.**
- The actual transactions in the underlying are executed by the FIIs only at its discretion, as and when necessary and there is no one-to-one correspondence between transactions in the underlying instruments and issuance of PNs.
- The ex-post reporting requirement enjoined upon the FII in respect of PNs on a monthly basis effectively keeps the transactions in PNs out of the real-time market surveillance mechanism and beyond the enforceability jurisdiction of SEBI.

Q 35.B

- The Index of Eight Core Industries (ICI) is a production volume index that is published monthly. It measures the performance of production in selected eight core industries (collective and individual) viz.
- **Coal, Crude Oil, Natural Gas, Refinery Products, Fertilizers, Steel, Cement and Electricity**
- **Statement 1 is not correct:** It is compiled and released by the Office of the Economic Adviser (OEA), Department for Promotion of Industry and Internal Trade (DPIIT) under the Ministry of Commerce & Industry. However, **the National Statistical office** publishes the all India Index of Industrial Production (IIP) monthly with a lag of six weeks.
- **Statement 2 is not correct:** The eight core industries comprise 40.27% of the total weight of items included in the Index of Industrial Production (IIP). The base year for eight core industries index is 2011-12 and it comes with a lag of one year.
- **Statement 3 is correct:** Fertilizers have the lowest weight among core industries in the index.

S.No.	Industries	Weights (% as in IIP 2011-12)	Weights(% in ICI)
1	Coal	4.1609	**10.3335**
2	Natural Gas (UT)	2.7690	**6.8768**
3	Crude Oil	3.6172	**8.9833**
4	Refinery Products	11.2896	**28.0376**
5	Fertilizers	1.0580	**2.6276**
6	Steel	7.2143	**17.9166**
7	Cement	2.1631	**5.3720**
8	Electricity	7.9940	**19.8530**
	Total	**40.2660**	**100.0000**

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Q 36.C

- **Recent context:** The Reserve Bank of India (RBI) has recently set up a committee to undertake a comprehensive review of the working of asset reconstruction companies (ARCs) in the financial sector ecosystem and recommend suitable measures for enabling them to meet the growing requirements. **The panel will be formed under the chairmanship of former RBI executive director Sudarshan Sen**.
- **The asset reconstruction companies or ARCs are registered under the RBI and regulated under the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 (SARFAESI Act, 2002) as NBFCs**. ARCs are incorporated under Companies Act. **Hence, statement 1 is correct.**
- The ARCs take over a portion of the debts of the bank that qualify to be recognised as Non-Performing Assets. Thus **ARCs are engaged in the business of asset reconstruction or securitisation or both. Hence, statement 2 is correct.**
- All the rights that were held by the lender (the bank) in respect of the debt would be transferred to the ARC. The required funds to purchase such debts can be raised from Qualified Buyers.
- As per the RBI, the committee will review existing legal and regulatory framework applicable to ARCs and recommend measures to improve their efficacy. It'll also review the role of ARCs in resolution of stressed assets, including under Insolvency & Bankruptcy Code (IBC), 2016. The committee will also suggest ways to improve liquidity in and trading of security receipts. Apart from reviewing the business models of the ARCs, it'll also advise matters relevant to their functioning, transparency and governance.

Q 37.A

- **Kingdom of Eswatini formerly called Swaziland is a landlocked country in Southern Africa.**
- Eswatini is one of the smallest countries in Africa; despite this, its climate and topography are diverse, ranging from a cool and mountainous climate to a hot and dry climate.
- Eswatini is a developing country and is classified as a lower-middle-income economy.
- The population is composed primarily of ethnic Swazis. The prevalent language is Swazi.
- It has two capital cities Mbabane and Lobamba.
- Recently there have been protests in the country to demand democratic reforms.

- **Hence, option (a) is the correct answer.**

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Q 38.C

- Unemployment is said to have occurred when a person who is actively searching for employment is unable to find work. The measure of unemployment can be used to perceive the health of an economy.
- The types of unemployment that can occur depending upon their nature are cyclical, structural, frictional, and seasonal. **The three official sources of data on unemployment in India are:**
  - **data of National Statistical Organisation (NSO) under Ministry of Statistics and Programme Implementation. Hence option 1 is correct.**
  - **data by Director General of Employment and Training. Hence option 2 is correct.**
  - **The report of Census of India. Hence option 3 is correct.**
- In India census is conducted as a decennial exercise. Census provides information on the distribution of labor force by various categories at the national, state, and district levels. The distribution of the unemployed is given by age, sex, education, and rural and urban residence at the three levels. The census also provides data on the **unemployed defined as; persons who had not worked at all in the reference year and were seeking work throughout the year. The Census also defines the "worker" as a person who has worked any time at all in the 365 days in the market and non-market economic activities.**

Q 39.C

- Payments Banks are a new set of banks licensed by the Reserve Bank of India to further financial inclusion by enabling them to provide
  - small savings/ **current accounts** below Rs. 1 lakh. Hence option 1 is correct.
  - distribution of mutual funds, insurance products on a non-risk-sharing basis
  - payments/remittance services to migrant labor workforce, low-income households, small businesses etc. using a secured technology-driven environment including **the issuance of prepaid cards** etc. **Hence option 3 is correct.**
- Payments Banks are differentiated or restricted banks.
  - They cannot set up subsidiaries to undertake non-banking financial services activities (hire purchase, leasing etc) **nor can it undertake lending business. Hence option 2 is not correct.**
- It may choose to become a banking correspondent (BC) of another bank for credit and other services which it cannot offer.
- Since liquidity is the most important aspect required for such banks they will be bound by the reserve requirement rules of RBI (CRR, SLR etc.).
  - Thus, apart from amounts maintained as Cash Reserve Ratio (CRR) with the Reserve Bank on its outside demand and time liabilities, the payments banks will be required to invest a minimum of 75 percent of its "demand deposit balances" in Statutory Liquidity Ratio (SLR) eligible Government securities/treasury bills with maturity up to one year and hold maximum 25 percent in current and time/fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.

Q 40.C

- RBI decides a certain percentage of deposits that every bank must keep as reserves. This is done to ensure that no bank is ‘over lending’. This is a legal requirement and is binding on the banks.
- This is called the ‘Required Reserve Ratio’ or the ‘Reserve Ratio’ or ‘Cash ReserveRatio’ (CRR).
- Cash Reserve Ratio (CRR) = Percentage of deposits which a bank must keep as cash reserves with RBI. **Hence, statement 1 is correct.**
  - Let's Assume, CRR = 20 percent
  - Then with deposits of Rs100, the bank will need to keep Rs 20 (20 percent of 100) as cash reserves. Only the remaining amount of deposits, i.e., Rs 80 (100 – 20 = 80) can be used to give loans. However, apart from the CRR, banks are also required to keep some reserves in liquid form in the short term. This ratio is called Statutory LiquidityRatio or SLR.
  - The statutory requirement of the reserve ratio acts as a limit to the amount of credit that banks can create.
- In theory, if a Central Bank demands a higher reserve ratio – it has the effect of acting like a deflationary monetary policy. A higher reserve ratio should reduce bank lending and therefore reduce the money supply. **Hence, statement 2 is correct.**
- However, in the real world, there are many reasons why the actual money created is significantly smaller than the theoretically possible money supplied:
  - Import spending. If consumers buy imports the money leaves the economy
  - Taxes. A percentage of income will be taken in taxes.
  - Savings. Not all money is spent and circulated, a significant percentage will be saved

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- Currency Drain Ratio. This is the % of banknotes that individual consumers keep in cash, rather than depositing in banks. If consumers deposited all their cash in banks, there would be a bigger money multiplier. But, if people keep funds in cash then the banks cannot lend more.
- Bad loans. A bank may lend out $90 but the company goes bankrupt and so this is never deposited bank into the banking system.
- Safety reserve ratio. This is the % of deposits a bank may like to keep above the statutory reserve ratio. i.e. the required reserve ratio maybe 5%, but banks may like to keep 5.2%.
- Banks may not want to lend also, at various times, the banks may not want to lend, e.g. during a recession they feel firms and individuals more likely to default. Therefore, the banks end up with a higher reserve ratio.

Q 41.C

- **The Indus Waters Treaty (IWT) is a water-distribution treaty between India and Pakistan, brokered by the World Bank, to use the water available in the Indus River and its tributaries.** It was **signed in Karachi on 19 September 1960** by Indian Prime Minister Jawaharlal Nehru and Pakistan President Ayub Khan.
  - The Treaty gives control over the waters of the **three eastern rivers; the Beas, Ravi and Sutlej to India.**
  - The control over the waters of the **three western rivers; Indus, Chenab and Jhelum is given to Pakistan.**
- Despite control over three rivers India has not been able to utilize its share of water completely and to bridge this gap India has been undertaking many projects in this regard recently. **In pursuit of this objective India in July 2021 has decided to divert the waters of river Ujh with the help of Ujh multi-purpose project to irrigate its own lands. Ujh is a tributary of the river Ravi.**
- The Ujh multi-purpose project is to have a 186MW capacity for electricity generation and will also provide water to irrigate 16,743 hectares and 20 cusecs for drinking.
- This project is also of strategic importance to India, as control over river water flow acts as a force multiplier during times of aggression.
- **Hence, option (c) is the correct answer.**

Q 42.C

- A balance sheet is a record of the assets and liabilities of any firm.
- Conventionally, the assets of the firm are recorded on the left-hand side and liabilities on the right-hand side.
- Accounting rules say that both sides of the balance sheet must be equal or total assets must be equal to the total liabilities.
- Assets are things a firm owns or what a firm can claim from others. In the case of a bank, apart from buildings, furniture, etc., its assets are loans given to the public. **Hence option 1 is correct.**
  - When the bank gives out loan of Rs 100 to a person, this is the bank's claim on that person for Rs 100.
- Another asset that a bank has reserves.
  - Reserves are deposits which commercial banks keep with the Central bank, Reserve Bank of India (RBI) and its cash. **Hence option 3 is correct.**
  - These reserves are kept partly as cash and partly in the form of financial instruments (bonds and treasury bills) issued by the RBI. Reserves are similar to deposits we keep with banks. We keep deposits and these deposits are our assets, they can be withdrawn by us. Similarly, commercial banks like the State Bank of India (SBI) keep their deposits with RBI and these are called Reserves.
  - Assets = Reserves + Loans
- Liabilities for any firm are its debts or what it owes to others. For a bank, the main liability is the deposits that people keep with it. **Hence, option 2 is not correct.**
  - Liabilities = Deposits
- The accounting rule states that both sides of the account must balance. Hence if assets are greater than liabilities, they are recorded on the right-hand side as Net Worth.
  - Net Worth = Assets – Liabilities

Q 43.D

- **Gross Domestic Product** is the sum total of the value of goods and services created within the geographical boundary of a country in a particular year. It gets distributed among the people as incomes. But it is not correct to treat the higher level of GDP of a country as an index of greater well-being of the people of that country because of the following reasons.

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- **Distribution of GDP - how the uniform is it:** If the GDP of the country is rising, the welfare may not rise as a consequence. This is because the rise in GDP may be concentrated in the hands of very few individuals or firms. For the rest, the income may in fact have fallen. So, it can be said that GDP does **not account for inequalities in the economy.**
- **Non-monetary exchanges:** Many activities in an economy are not evaluated in monetary terms. For example, the **domestic services women perform at home are not paid for.** The exchanges which take place in the informal sector without the help of money are called barter exchanges. In barter exchanges goods (or services) are directly exchanged against each other. But since money is not being used here, these exchanges are not registered as part of economic activity.
- **Externalities:** Externalities refer to the **benefits (or harms) a firm or an individual causes to another** for which they are not paid (or penalized). For example, the production of a refinery is counted as part of the GDP of the economy. But in carrying out the **production the refinery** may also be polluting the nearby river. This may cause harm to the people who use the water of the river and organisms of the river. As a result, the fishermen of the river may be losing their livelihood. Such harmful effects that the refinery is inflicting on others, for which it will not bear any cost, are called **externalities**. These **are not counted in GDP calculation.**
- **Hence option (d) is the correct answer.**

Q 44.C

- Agricultural Census, which is **conducted every five years in India**. It is the largest countrywide statistical operation undertaken by the Ministry of Agriculture, for the collection of data on the structure of operational holdings by different size classes and social groups.
  - **The first Agricultural Census in the country was conducted with the reference year 1970-71. Hence statement 2 is not correct.**
  - So far, nine Agriculture Censuses with reference years 1970-71, 1976-77, 1980-81, 1985-86, 1990-91, 1995-96, 2000-01, 2005-06, and 2010-11 have been conducted.
  - The reference period in Agriculture Census is the agriculture year starting from July to June.
  - **The current Agriculture Census with the reference year 2015-16 is tenth in the series.**
- Agricultural Census is carried out as a **Central Sector Scheme** under which 100% financial assistance is provided to States/Union Territories. **Hence statement 1 is correct**
- Agricultural Census operation is carried out in three phases.
  - Phase-I, a list of all holdings with data on area, gender, and social group of the holder is prepared with the help of the listing schedule.
  - Phase-II detailed data on tenancy, land use, irrigation status, area under different crops (irrigated and un-irrigated) are collected in the holding schedule.
  - Phase-III, which is called as Input Survey, relates to the collection of data of input use across various crops, States and size groups of holdings, in addition to data on agriculture credit, implements and machinery, livestock, and seeds.
- In India, **the Department of Agriculture, Cooperation and Farmers Welfare** has been organizing Agricultural Census, **since 1970-71** as part of the program of the World Census of Agriculture. **Hence statement 3 is correct.**
  - In the two Agricultural Censuses, namely, 1950 and 1960, data required for the World Agricultural Census were collected through sample Surveys carried out by the erstwhile Directorate of National Sample Survey (Now called 'National Sample Survey Office) which gave estimates for the country as a whole and also for States.
  - As per Constitutional provision, statistical surveys and inquiries fall in the Concurrent List and hence the Government of India is responsible for the preparation of an all-India Census program keeping in view the diverse systems of maintenance of land records which is a State subject.
- The World Programme for the Census of Agriculture (WCA) is an international program led by the Food and Agriculture Organization of the United Nations (FAO) that supports the implementation of national censuses of agriculture on a 10-year basis through the use of standard concepts, definitions, and methodology

Q 45.B

- **Recently in July 2021, United Arab Emirates pushed back against a plan by the OPEC oil cartel and allied producing countries to extend the global pact to cut oil production beyond April 2022.** This resulted in an impasse and unless it is resolved it can have a major economic impact on oil importing countries like India which depends on OPEC countries for its crude oil imports.
- **OPEC is a permanent intergovernmental organization of 13 oil-exporting nations that coordinates and unifies the petroleum policies of its Member Countries.**

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- **The members of the OPEC organization are**
  - Algeria
  - Angola
  - Congo
  - Equatorial Guinea
  - Gabon
  - **Iran**
  - Iraq
  - Kuwait
  - **Libya**
  - **Nigeria**
  - Saudi Arabia
  - United Arab Emirates
  - Venezuela.
- **Thus Mexico is not a member of OPEC. Hence, option (b) is the correct answer.**
- According to current estimates, 79.4% of the world's proven oil reserves are located in OPEC Member Countries, with the bulk of OPEC oil reserves in the Middle East, amounting to 64.5% of the OPEC total.
- The **OPEC Secretariat** is the executive organ of the Organization of the Petroleum Exporting Countries (OPEC). Located in **Vienna, it also functions as the Headquarters of the Organization, in accordance with the provisions of the OPEC Statute.**

Q 46.B

- Agricultural Produce Market Committee (APMC) is a **statutory market committee constituted by a State Government**. **Hence statement 1 is not correct**.
- It is constituted **for trade in certain notified agricultural or horticultural or livestock products, under the Agricultural Produce Market Committee Act** issued by that state government. **Hence statement 2 is correct.**
- **APMCs are intended to be responsible for:**
  - ensuring transparency in pricing system and transactions taking place in market area;
  - providing market-led extension services to farmers;
  - ensuring payment for agricultural produce sold by farmers on the same day;
  - promoting agricultural processing including activities for value addition in agricultural produce;
  - Publicising data on arrivals and rates of agricultural produce brought into the market area for sale; and
  - Setup and promote public private partnership in the management of agricultural markets.
- Under Constitution of India, agricultural marketing is a state (provincial) subject. While intra-state trades fall under the jurisdiction of state governments, inter-state trading comes under Central Government (including intra-state trading in a few commodities like raw jute, cotton, etc.).Thus, agricultural markets are established and regulated mostly under the various State APMC Acts.
- The whole geographical area in the State is divided and each one is declared as a market area which is managed by the Market Committee (APMC) constituted by the State Government. **Hence statement 3 is correct**.
  - States also constitute a Market Board which supervises these market committees.
  - APMCs generally consist of representatives of farmers, traders, warehousing entities, registrar of cooperative societies etc.
  - Market Boards generally consists of chairmen of all APMCs, representatives from the relevant Government Departments etc.

Q 47.B

- Demand for urban freight is expected to grow by 140 percent over the next 10 years. Final-mile freight movement in Indian cities is currently responsible for 50 percent of total logistics costs in India's growing e-commerce supply chains. Improving city logistics would enable efficient freight movement and bring down the logistics costs boosting all sectors of the economy.
- In light of this, the **Logistics Division under the Ministry of Commerce and Industry, in the month of July 2021 has come up with the concept of 'Freight Smart Cities' to improve the efficiency of urban freight and create an opportunity for reduction in logistics costs.**
- Initially, ten cities are to be identified as freight smart cities on an immediate basis and it is planned to expand the list to 75 cities in the next phase before scaling up throughout the country including all state capitals and cities that have more than one million population.
- **There is no such criterion to be a 4-star smart city to be eligible for a freight smart city. Hence, statement 1 is not correct.**

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- **Also under the Freight Smart Cities initiative, city-level logistics committees would be formed and these would have related government departments and agencies at the local level, state and from the related central ministries and agencies. These would also include the private sector from the logistics services and also users of logistics services. Hence, statement 2 is correct.**
- These committees would co-create City Logistics Plans to implement performance improvement measures locally.

Q 48.B

- When a government spends more than it collects by way of revenue, it incurs a budget deficit.
  - **Primary deficit is simply the fiscal deficit minus the interest payments.**
- **Gross primary deficit = Gross fiscal deficit – Net interest liabilities**
- **Gross fiscal deficit = Total expenditure – (Revenue receipts + Non-debt creating capital receipts)**
- **Net interest liabilities consist of interest payments minus interest receipts by the government on net domestic lending.**
- We must note that the borrowing requirement of the government includes interest obligations on accumulated debt. The goal of measuring primary deficit is to focus on present fiscal imbalances. To obtain an estimate of borrowing on account of current expenditures exceeding revenues, we need to calculate the primary deficit.
- **Significance of Primary Deficit** - It excludes the burden of the past debt and shows the net increase in the government's indebtedness due to the current year's fiscal operations. A reduction in primary deficit is reflective of government's efforts at bridging the fiscal gap during a financial year.
- **Fiscal deficit** is the difference between the government's total expenditure and its total receipts excluding borrowing.
- **Hence option (b) is the correct answer.**

Q 49.C

- Gene vaccines or DNA-based vaccines are a new approach to immunization and immunotherapy in which, rather than a live or inactivated organism (or a subunit thereof), one or more genes that encode proteins of the pathogen are delivered.
- Gene vaccines make use of advances in immunology and molecular biology to more specifically tailor immune responses against selected antigens.
- Advantages of gene based vaccines:
  - **Their ability to stimulate both humoral and cellular immunity. Hence statement 2 is correct.**
    - ✓ Humoral immunity is also called antibody-mediated immunity. The humoral immune system deals with antigens from pathogens that are freely circulating, or outside the infected cells.
    - ✓ Cellular immunity occurs inside infected cells and is mediated by T lymphocytes.
  - They are **safe and non-infectious** as they are **not made with live or inactivated pathogens which can cause infection when the virus is not inactivated properly. Hence statement 1 is not correct.**
  - They are tailor-made for a specific antigen on the targeted microbe and hence can generate a strong immune response.
  - **They can be produced more rapidly as they do not require a host for growth which takes time. The production cost of gene based vaccines is also low. Hence statement 3 is correct.**

Q 50.A

- In India, total Central Government Liabilities constitutes the following three categories:
  - Internal Debt.
  - External Debt.
  - Public Account Liabilities
- **Public Debt in India includes both Internal and External Debt incurred by the Central Government. Hence statement 1 is correct.**
- Internal Debt includes liabilities incurred by resident units in the Indian economy to other resident units, while External Debt includes liabilities incurred by residents to non-residents.
- The overall objective of the Central Government's debt management policy is to "meet Central Government's financing needs at the lowest possible long term borrowing costs and also to keep the total debt within sustainable levels.
- Additionally, it aims at supporting development of a well-functioning and vibrant domestic bond market".
- Apart from this declared objectives, timely availability of resources for Government is ensured in a non-disruptive manner for the market. Various institutional arrangements are also put in place accordingly.
- **Government published its first Debt Management Strategy (DMS) document** (earlier published across various documents of the Government and RBI) **on December 31, 2015.**

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- In the Fiscal Policy Strategy Statement laid before the Parliament, Government outlines the prudent debt management strategies so as to ensure that the public debt remains within sustainable limits and does not crowd out private borrowing for investment.
- **The Constitution of India gives the executive branch of Government the powers to borrow upon the security of the Consolidated Fund of India. Reserve Bank as an agent of the Government (both Union and the States) used to implement the borrowing program.** The Reserve Bank draws the necessary statutory powers for debt management from Section 21 of the Reserve Bank of India Act, 1934. While the management of Union Government's public debt is an obligation for the Reserve Bank, the Reserve Bank undertakes the management of the public debts of the various State Governments by agreement. Public Debt Management Cell (PDMC) has been established as an interim arrangement before setting up an independent and statutory debt management agency namely the Public Debt Management Agency (PDMA). PDMA is yet to be established. **Hence statement 2 is not correct.**

Q 51.D

- The government of India has launched the Hydrocarbon Exploration and Licensing Policy (HELP) in 2016 for the exploration and production of oil and gas which replaced the New Exploration Licensing Policy (NELP).
- **Statement 1 is correct: OALP** provides uniform licenses for the exploration and production of all forms of hydrocarbons. Under this fields are offered under a revenue-sharing model that enables contractors to explore conventional as well as unconventional oil and gas resources.
- **Statement 2 is correct:** Earlier exploration and production operators were forced to bid for only those blocks which were chosen by the government. Now private players are allowed to carve out areas they want to explore oil and gas in and the Centre will put those areas up for bids. This also provides marketing and pricing freedom for crude oil and natural gas produced. The explorer selects areas after evaluating the **National Data Repository (NDR)** and submits the, it is to be put up for competitive bidding, and the entity offering the maximum share of oil and gas to the government is awarded the block.
- **Statement 3 is correct:** The OALP is a critical part of the Hydrocarbon Exploration and Licensing Policy which is based on a revenue-sharing model instead of a Profit-sharing model.

Q 52.D

- Minimum Support Price (MSP) is a form of market intervention by **the Government of India** to insure agricultural producers against any sharp fall in farm prices. **Hence statement 1 is not correct.**
- The minimum support prices are announced by the Government of India at the **beginning of the sowing season** for certain crops. **Hence statement 2 is not correct.**
- It is announced by GoI on the basis of the recommendations of the **Commission for Agricultural Costs and Prices (CACP). Hence statement 3 is not correct**.
- MSP is price fixed by the Government of India to protect the producer - farmers - against excessive falls in price during bumper production years.
    - The minimum support prices are a guaranteed price for their produce from the Government.
    - The major objectives are to support the farmers from distress sales and to procure food grains for public distribution.
    - In case the market price for the commodity falls below the announced minimum price due to bumper production and glut in the market, govt. agencies purchase the entire quantity offered by the farmers at the announced minimum price.
- **Minimum support prices are currently announced for 24 commodities** including seven cereals (paddy, wheat, barley, jowar, bajra, maize and ragi); five pulses (gram, arhar/tur, moong, urad, and lentil); eight oilseeds (groundnut, rapeseed/mustard, toria, soybean, sunflower seed, sesamum, safflower seed and nigerseed); copra, raw cotton, raw jute, and de-husked Coconut.
- Such minimum support prices are fixed at the incentive level, so as to induce the farmers to make the capital investments for the improvement of their farm and to motivate them to adopt improved crop production technologies to step up their production and thereby their net income.
- In the absence of such a guaranteed price, there is a concern that farmers may shift to other crops causing a shortage in these commodities.

Q 53.D

- In India, commercial energy consumption makes up about 74 percent of the total energy consumed in India. This includes coal and lignite with the largest share of 74 percent, followed by oil at 10 percent, natural gas at 9 percent, hydro and other new, and renewable energy at 7 percent.
- The sectoral pattern of consumption of commercial energy is given in the Table below. The transport sector was the largest consumer of commercial energy in 1953- 54.

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Trends in Sectoral Share of Commercial Energy Consumption (in %)

Sector	*1953-54*	*1970-71*	*1990-91*	*2017-18*
Household	10	12	12	24
Agriculture	01	03	08	18
Industries	40	50	45	42
Transport	44	28	22	1
Others	5	07	13	15
Total	**100**	**100**	**100**	**100**

Source: *Ninth Five year Plan, Vol. II, Chapter 6, Planning Commission, Government of India, New Delhi and Energy Statistics 2019, Central Statistical Office, Ministry of Statistics and Programme Implementation, Government of India.*

- However, there has been a continuous fall in the share of the transport sector while the shares of the household, agriculture, and others have been increasing.
- The share of oil and gas is the highest among all commercial energy consumption. With the rapid rate of economic growth, there has been a corresponding increase in the use of energy.
- **Hence, both statements 1 and 2 are not correct.**

Q 54.C

- **Hope orbiter is an uncrewed space exploration mission to Mars by Mohammed bin Rashid Space Centre of UAE (United Arab Emirates).**
  - **It has recently captured images of glowing atmospheric lights in the Red Planet's night sky, known as discrete auroras.**
  - The UAE Space Agency said on its website that the **data gathered by the orbiter "include far and extreme ultraviolet auroral emissions which have never been imaged before at Mars." Unlike auroras on Earth, which are seen only near the north and south poles, discrete auroras on Mars are seen all around the planet at night time.**
- Hope Orbiter was launched on 19 July 2020 and reached Mars on 9 February 2021.
  - The primary objective of the mission is to **study Martian weather dynamics.**
  - The space probe will study daily and seasonal weather cycles, weather events in the lower atmosphere such as dust storms, and how the weather varies in different regions of the planet.
  - **United Arab Emirates became the first Arab country and the fifth country to reach Mars and the second country to successfully enter Mars' orbit on its first try (India being the first with its 2014 Mars Orbiter Mission).**
- An aurora is a natural phenomenon that is characterized by a display of a natural-colored (green, red, yellow or white) light in the sky. It is a light show which is caused when electrically charged particles from the sun collide with particles from gases such as oxygen and nitrogen present in the Earth's atmosphere.
- **Hence, option (c) is the correct answer.**

Q 55.A

- The draft of the First Five Year Plan and then the actual Plan Document, released in December 1951. The First Five Year Plan (1951–1956) sought to get the country's economy out of the cycle of poverty.
- The First Five Year Plan addressed, mainly, the agrarian sector including investment in dams and irrigation. The agricultural sector was hit hardest by partition and needed urgent attention. **Huge allocations were made for large-scale projects like the Bhakhra Nangal Dam. Hence, statement 1 is correct.**
- The Plan identified the pattern of land distribution in the country as the principal obstacle in the way of agricultural growth. **It focused on land reforms as the key to the country's development. Hence, statement 2 is correct.**
- One of the basic aims of the planners was to raise the level of national income, which could be possible only if the people saved more money than they spent. As the basic level of spending was very low in the 1950s, it could not be reduced anymore. So the planners sought to push savings up. That too was difficult as the total capital stock in the country was rather low compared to the total number of employable people.

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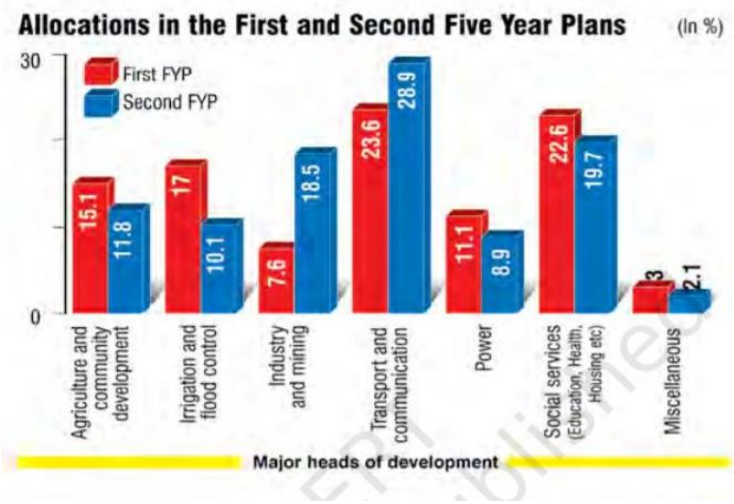
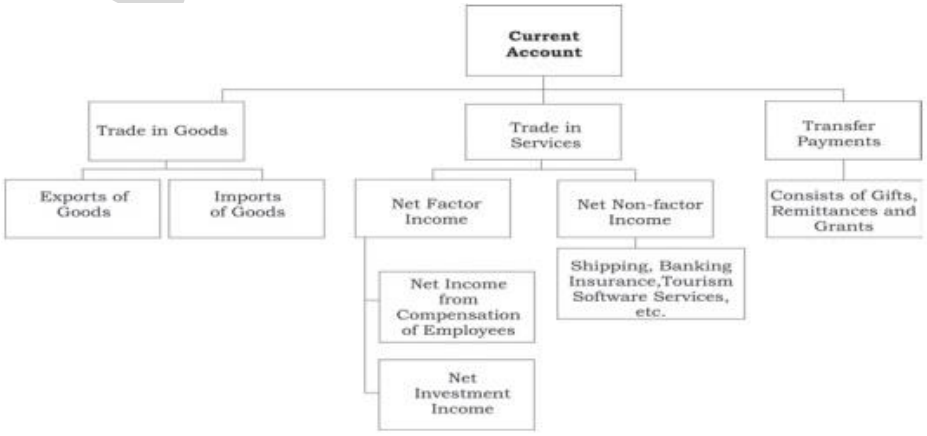


Q 56.B

- **The Green Gross Domestic Product**, or Green GDP is an indicator of economic growth with environmental factors taken into consideration along with the standard GDP of a country. Green GDP is a term used generally for **expressing GDP after adjusting for environmental damage. Hence option (b) is the correct answer.**
- The standard GDP measurement has limitations on account of being indicators of economic growth and desirable standards of living. The normal GDP also does not have any way of knowing whether the level of income created in a country will be sustainable or not. To overcome this limitation the green GDP is sought after.
- The process of environmental accounting involves three steps viz. **Physical accounting; Monetary valuation; and integration with national Income/wealth Accounts.** Physical accounting determines the state of the resources, types, and extent (qualitative and quantitative) in spatial and temporal terms. Monetary valuation is done to determine its tangible and intangible components. Thereafter, the **net change in natural resources in monetary terms** is **integrated into the Gross Domestic Product** in order to reach the **value of Green GDP.**

Q 57.C

- The balance of payments (BoP) record the transactions in goods, services and assets between residents of a country with the rest of the world for a specified time period typically a year. There are two main accounts in the BoP — the current account and the capital account.
- Current Account is the record of trade and transfer payments. Trade in goods includes exports and imports of goods **(assets are part of capital account). Hence, statement 1 is not correct.**
- Balance on Current Account has two components:
  - Balance of Trade or Trade Balance
  - Balance on Invisibles
- **Balance of Trade (BOT) is the difference between the value of exports and value of imports of goods of a country in a given period of time.** Export of goods is entered as a credit item in BOT, whereas import of goods is entered as a debit item in BOT. It is also known as Trade Balance. **Hence, statement 2 is correct.**
- **Net Invisibles is the difference between the value of exports and value of imports of invisibles of a country in a given period of time. Invisibles include services, transfers and flows of income that take place between different countries. Hence, statement 3 is correct.**



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Q 58.B

- Micro-insurance policies are a special category of insurance policies created to promote insurance coverage among economically vulnerable sections of society. **Hence statement 1 is correct.**
- These policies are regulated by the **Insurance Regulatory Development Authority** of India (IRDA). **Hence statement 3 is not correct.**
- **The IRDA Micro-insurance Regulations, 2005, defines and enables micro-insurance.**
- Microinsurance can be either a general insurance policy (which can insure health, belongings, house, tools, personal accident contract, livestock, etc) or a life insurance policy with a sum assured of Rs 50,000 or less. They can be on an individual or group basis.
    - A life micro-insurance product is a term insurance contract with or without return of premium, any endowment insurance contract, or a health insurance contract. They can be with or without an accident benefit rider.
- Micro-insurance business is done through the following intermediaries in India:
    - Non-Government Organisations
    - Self-Help Groups
    - Micro-Finance Institutions. **Hence statement 2 is correct.**

Q 59.A

- Liberalisation of trade and investment regime was initiated to increase the international competitiveness of industrial production and also foreign investments and technology into the economy. The aim was also to promote the efficiency of local industries and the adoption of modern technologies.
- The trade policy reforms aimed at
    - **dismantling quantitative restrictions on imports and exports;**
    - reduction of tariff rates; and
    - removal of licensing procedures for imports.
- An import quota is a type of trade restriction that sets a physical limit on the quantity of a good that can be imported into a country in the given period of time. The quota system was abolished with the dismantling of quantitative restrictions on imports and exports. **Hence, statement 1 is correct.**
- **Import licensing was abolished except in the case of hazardous and environmentally sensitive industries. Hence, statement 3 is not correct.**
- Quantitative restrictions on imports of manufactured consumer goods and agricultural products were also fully removed from April 2001. **Export duties have been removed to increase the competitive position of Indian goods in the international markets. Hence, statement 2 is correct.**

Q 60.C

- **The International Development Association (IDA) is the part of the World Bank that helps the world's poorest countries.** Overseen by 173 shareholder nations, IDA aims to reduce poverty by providing zero to low-interest loans (called "credits") and grants for programs that boost economic growth, reduce inequalities, and improve people's living conditions. **The IDA lends only to governments of very poor developing nations whose per capita GNP is below $1,305**, and in practice IDA loans go to countries with annual per capita incomes below $865. IDA loans are interest free and have a maturity of 35 or 40 years. **Hence statement 1 is correct.**
- **IDA credits have a zero or very low interest charge and repayments are stretched over 30 to 40 years, including a 5- to 10-year grace period. Hence statement 2 is correct.**
- Sustainable Development Finance Policy (SDFP): Starting from July 1st, 2020 all IDA countries will be subject to the Sustainable Development Finance Policy (SDFP). The SDFP will replace the Non-Concessional Borrowing Policy (NCBP), which has been in place since 2006 to address the accumulation of external public debt. The objective of the SDFP will be to incentivize countries to borrow sustainably and promote coordination between IDA and other creditors in support of countries' efforts. The policy has two pillars: (1) the Debt Sustainability Enhancement Program (DSEP) to help IDA countries address debt vulnerabilities through incentives and policy actions; and (2) the Program for Creditor Outreach (PCO) to facilitate information sharing, dialogue and coordination among creditors to help address debt-related risks, building on IDA's global platform and convening role.

Q 61.B

- **Inflation is the decline of purchasing power of a given currency over time.** A quantitative estimate of the rate at which the decline in purchasing power occurs can be reflected in the increase of an average price level of a basket of selected goods and services in an economy over some period of time. The rise in the general level of prices often expressed as a percentage, means that a unit of currency effectively buys

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less than it did in prior periods. Thus **Inflation is the rate at which the value of a currency is falling and, consequently, the general level of prices for goods and services is rising. Hence statement 1 is correct.**

- **An increase in the supply of money is the root of inflation, though this can play out through different mechanisms in the economy. Hence statement 2 is not correct.**
- Money supply can be increased by the **monetary authorities either by printing and giving away more money to the individuals, by legally devaluing (reducing the value of) the legal tender currency,** more (most commonly) by loaning new money into existence as reserve account credits through the banking system by purchasing government bonds from banks on the secondary market.
- In all such cases of money supply increase, the money loses its purchasing power. The mechanisms of how this drives inflation can be classified into three types: demand-pull inflation, cost-push inflation, and built-in inflation.

Q 62.C

- **Gross Domestic Product (GDP)** at market price **includes indirect taxes.** When indirect taxes are imposed on goods and services, their prices go up. Indirect taxes accrue to the government. We have to **deduct indirect taxes from GDP evaluated at market prices** in order to calculate that part of GDP which actually accrues to the factors of production. Similarly, there may be **subsidies granted by the government** on the prices of some commodities (in India petrol is heavily taxed by the government, whereas cooking gas is subsidised). So we need to add subsidies to the GDP evaluated at market prices. The measure that we obtain by doing so is called **GDP at factor cost.**
- **By adding net indirect taxes (ie. product taxes - product subsidies) to GDP at factor cost, GDP at market prices is obtained.**
- **Hence option (c) is the correct answer.**

Q 63.B

- Securities Transaction Tax (STT) is a type of financial transaction tax levied in India on transactions done on the domestic stock exchanges.
- The rates of STT are prescribed by the Union Government through its Budget from time to time.
- In tax parlance, this is categorized as an indirect tax.
- The STT came into effect from October 1, 2004, pursuant to the enactment of the Finance Act, 2004 and notification of Securities Transaction Tax Rules, 2004. The term 'Securities' is defined in the Securities Contracts (Regulation) Act and includes the following:
  - Shares
  - Bonds
  - Debentures
  - Equity Derivatives. **Hence, option 3 is correct.**
  - Government securities of equity nature.
  - Equity-oriented units of mutual fund.
  - Securitized debt instruments.
- The rate of STT differs based on the type of security traded and whether the transaction is a purchase or a sale. These rates are decided by the central government. In India, STT is collected for the government of India by the stock exchanges.
- STT is not applicable on:
  - Gold ETFs, Gilt ETFs, International ETFs. **Hence, option 2 is not correct.**
  - Commodity transactions (Commodities Transaction Tax is levied). **Hence, option 1 is not correct.**
  - Currency transactions
  - Transactions of the shares of listed companies on the floor of the stock exchange or otherwise such as a takeover, buyback, delisting offers etc also do not come under the STT framework.
  - The off-market transactions of securities (which entails changes in ownership records at depositories) also does not attract STT.

Q 64.D

- Wholesale Price Index, or WPI, measures the changes in the prices of goods sold and traded in bulk by wholesale businesses to other businesses. WPI is unlike the Consumer Price Index (CPI), which tracks the prices of goods and services purchased by consumers. To put it simply, the WPI tracks prices at the factory gate before the retail level.
- The numbers are released by the **Economic Advisor in the Ministry of Commerce and Industry monthly**. An upward surge in the WPI print indicates inflationary pressure in the economy and vice versa.

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The quantum of rising in the WPI month after month is used to measure the level of wholesale inflation in the economy. **Hence statement 2 is not correct**

- Even as the WPI is used as a key measure of inflation in some economies, **the RBI no longer uses WPI for policy purposes, including setting repo rates. The central bank currently uses CPI or retail inflation as a key measure of inflation to set the monetary and credit policy. Hence statement 1 is not correct**
- With an aim to align the index with the base year of other important economic indicators such as GDP and IIP, the base year was updated to 2011-12 from 2004-05 for the new series of Wholesale Price Index (WPI), effective from April 2017.

Q 65.B

- The World Trade Organization is an intergovernmental organization that regulates and facilitates international trade between nations. World Trade Organization replaced the General Agreement on Tariffs and Trade (GATT) in 1995. GATT was focused on trade in goods and aimed to liberalize trade by reducing tariffs and removing quotas among member countries.
- **Although the WTO is not an UN-specialized agency,** it has maintained strong relations with the UN and its agencies since its establishment. The WTO-UN relations are governed by the "Arrangements for Effective Cooperation with other Intergovernmental Organizations-Relations Between the WTO and the United Nations" signed on 15, November 1995. The WTO Director-General participates in the Chief Executive Board which is the organ of coordination within the UN system. **Hence, statement 1 is not correct.**
- The WTO is run by its member governments. All major decisions are made by the membership as a whole, either by ministers (who meet at least once every two years) or by their ambassadors or delegates (who meet regularly in Geneva).
- **The WTO continues GATT's tradition of making decisions not by voting but by consensus.** This allows all members to ensure their interests are properly considered even though, on occasion, they may decide to join a consensus in the overall interests of the multilateral trading system. **Hence, statement 2 is correct.**

Q 66.A

- The agriculture growth target in the first plan was achieved, so the government quickly started looking beyond agriculture. The second five-year plan (1956-61) focused on industry, especially heavy industry. The target of a 25% increase in national income was set through rapid industrialization.
- **The second five-year plan is based on the so-called Mahalanobis model.** This was the USSR model Indianized by PC Mahalanobis. This model is known to have set the statistical foundations for state-directed investments and created the intellectual underpinnings of the license-raj through an elaborate input-output model. **Hence, statement 1 is correct.**
- This Model suggested that there should be an emphasis on the heavy industries, which can lead the Indian Economy to a long-term higher growth path. India's second five-year plan and Industrial policy Resolution 1956, which paved the way for the development of the Public Sector and license raj.
- It, however, had its problems as well. India was technologically backward, so it had to spend precious foreign exchange to buy technology from the global market. That apart, as industry attracted more investment than agriculture, the possibility of food shortage loomed largely. The Indian planners found balancing industry and agriculture really difficult.
- The transportation and communication sector received the highest share of resource allocation during the second Five Year Plan. **Hence, statement 2 is not correct.**

Q 67.D

- **National Skill Development Corporation (NSDC) is a not-for-profit public limited company** incorporated on July 31, 2008. It was set up under section 25 of the Companies Act, 1956 (corresponding to section 8 of the Companies Act, 2013) **by the Ministry of Finance as Public-Private Partnership (PPP) model**.
- The Government of India holds 49% of the share capital of NSDC and the private sector holds 51% of the share capital.
- The Board of Directors of NSDC shall not be less than three and not more than fifteen. **The Central Government shall appoint not more than six Directors, one of whom shall be the Chairman.** The shareholders from the private sector shall appoint not more than nine Directors. **Hence option (d) is the correct answer.**

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- **It aims to promote skill development by providing funding to enterprises, companies, and organizations that provide skill training to build scalable and profitable vocational training initiatives.** It also aims to enable a support system that focuses on quality assurance, information systems, etc. either directly or through partnerships.
- It acts as a catalyst in skill development by providing funding It also develops appropriate models to enhance, support, and coordinate private sector initiatives. There are more than 37 sectors under NSDC's purview and its understanding of their viability will make every sector attractive to private investment.

Q 68.B

- **Ministry of Civil Aviation** is responsible for the formulation of national policies and programs for the development and regulation of the Civil Aviation sector in the country.
  - It is responsible for the administration of the Aircraft Act, 1934, Aircraft Rules, 1937, and various other legislation pertaining to the aviation sector in the country.
  - This Ministry exercises administrative control over attached and autonomous organizations like the Directorate General of Civil Aviation, Bureau of Civil Aviation Security, and Indira Gandhi Rashtriya Udan Academy and affiliated Public Sector Undertakings like National Aviation Company of India Limited, Airports Authority of India, and Pawan Hans Helicopters Limited.
  - **Directorate General of Civil Aviation (DGCA):**
    - ✓ It is the regulatory body in the field of Civil Aviation, primarily dealing with safety issues.
    - ✓ It is responsible for the regulation of air transport services to/from/within India and for enforcement of civil air regulations, air safety, and airworthiness standards.
    - ✓ The DGCA also coordinates all regulatory functions with the International Civil Aviation Organisation (ICAO).
  - **Airports Economic Regulatory Authority of India (AERA):**
    - ✓ AERA was established in 2009 as a statutory body under "The Airports Economic Regulatory Authority of India Act, 2008".
    - ✓ To regulate tariff for the aeronautical services, determine other airport charges for services rendered at major airports, and monitor the performance standards of such airports**. Hence statement 3 is not correct**.
  - **Airport Authority of India (AAI):**
    - ✓ It was formed on 1st April 1995 by merging the International Airports Authority of India and the National Airports Authority with a view to accelerate the integrated development, expansion, and modernization of the operational, terminal, and cargo facilities at the airports in the country conforming to international standards.
  - **The Bureau of Civil Aviation Security (BCAS):**
    - ✓ The main responsibilities of BCAS include laying down standards and measures with respect to the security of civil flights at international and domestic airports in India.
- The civil aviation industry in India has emerged as one of the fastest-growing industries in the country during the last three years.
- India has become the third-largest domestic aviation market in the world and is expected to overtake the UK to become the third-largest air passenger (International and Domestic) market by 2024. **Hence statement 1 is not correct.**
- According to the data released by the Department for Promotion of Industry and Internal Trade (DPIIT), FDI inflow in India's air transport sector (including air freight) reached US$ 2.88 billion between April 2000 and December 2020.
- The government has allowed 100% FDI under the automatic route in scheduled air transport service, regional air transport service, and domestic scheduled passenger airlines. **However, FDI over 49% would require government approval**. **Hence statement 2 is correct.**

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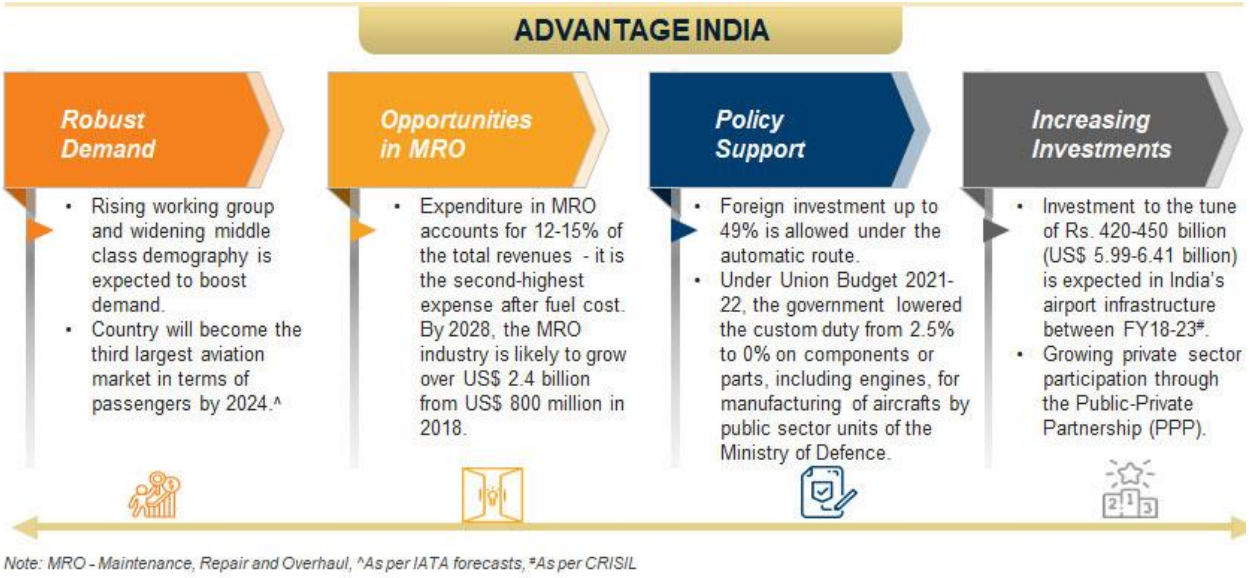

Note: MRO - Maintenance, Repair and Overhaul, ^As per IATA forecasts, #As per CRISIL

Q 69.A

- Sustaining agricultural productivity depends on the quality and availability of natural resources like soil and water. Agricultural growth can be sustained by promoting conservation and sustainable use of these scarce natural resources through appropriate location-specific measures.
- **National Mission for Sustainable Agriculture (NMSA) has been formulated for enhancing agricultural productivity especially in rainfed areas focusing on integrated farming, water use efficiency, soil health management, and synergizing resource conservation.**
- NMSA derives its mandate from the Sustainable Agriculture Mission **which is one of the eight Missions outlined under the National Action Plan on Climate Change (NAPCC). Hence statement 1 is correct.**
- **National Advisory Committee (NAC) under Chairmanship of Secretary, Department of Agriculture and Cooperation, Ministry of Agriculture, and Farmer** have been constituted to provide strategic direction for guidance and planning for effective implementation of the mission**. Hence statement 2 is not correct.**

Q 70.D

- **Recent Context:** In July 2021, the Ministry of External Affairs (MEA) has rejected the Organisation of Islamic Cooperation's (OIC) proposal to facilitate talks between India and Pakistan.
- **The Organisation of Islamic Cooperation is an international organization founded in 1969, consisting of 57 member states.** The organization states tha**t it is "the collective voice of the Muslim world" and works to "safeguard and protect the interests of the Muslim world in the spirit of promoting international peace and harmony.**
- **The observer states of OIC are:**
  - Bosnia and Herzegovina
  - The central African Republic
  - Kingdom of Thailand
  - The Russian Federation
  - Turkish Cypriot State
- **Thus India is not an observer state at OIC. Hence, statement 1 is not correct.**
- In 2019 India was invited to attend the foreign ministers' meet of the Organisation of Islamic Cooperation (OIC) States
- **The headquarters of OIC is located at Jeddah, Saudi Arabia. Hence, statement 2 is not correct.**

Q 71.C

- The Ministry of Corporate Affairs (MCA) has recently launched the data analytics-driven MCA21 Version 3.0.
- **MCA21 is an e-Governance initiative of the Ministry of Corporate Affairs (MCA)** that enables easy and secure access of the MCA services to the corporate entities, professionals, and citizens of India.
- It is the first Mission Mode e-Governance project of the government of India that will help in improving the Ease of Doing Business in India.
- Its components are **E-Scrutiny, E-adjudication, E-Consultation, Compliance Management System (CMS).**

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Q 72.B

- **The Micro, Small, and Medium Enterprises Development (MSMED) Act, 2006** addresses these issues relating to the definition, credit, marketing, and technology up-gradation of Enterprises in both the manufacturing sector as well as in the services sector. The act seeks to enhance the competitiveness of these enterprises and facilitate their promotion and development.
- Several parameters such as the number of persons employed in business, capital invested in the business, the volume of output or value of the output of the business, and power consumed for business activities can be used to measure the size of the business. **Small industries definition as described by the government of India is based on the investment in plants and machinery and turn over to keep in view the socioeconomic environment in India where capital is scarce and labour is abundant.** As per the recent changes, the new classification/definition of MSMEs is:

CLASSIFICATION	MICRO	SMALL	MEDIUM
Manufacturing & Services	Investment < 10 cr. And Turnover < 5 cr.	Investment < 10 cr. And Turnover < 50 cr.	Investment < 50 cr. And Turnover < 250 cr.

- **Hence option (b) is the correct answer.**

Q 73.C

- **In the Union Budget 2016-17 it was proposed to constitute a Committee to review the implementation of the FRBM Act** and give its recommendations on the way forward.
  - **Government constituted the Committee in May, 2016 under the Chairmanship of Shri N.K. Singh, former Revenue and Expenditure Secretary and former Member of Parliament.**
  - The Committee had wide ranging **Terms of Reference (ToR) to comprehensively review the existing FRBM Act in the light of contemporary changes, past outcomes, global economic developments, best international practices and to recommend the future fiscal framework and roadmap for the country.**
  - Subsequently, the Terms of Reference were enlarged to seek the Committee's views on certain recommendations of the Fourteenth Finance Commission and the Expenditure Management Commission. These primarily related to strengthening the institutional framework on fiscal matters as well as certain issues connected with new capital expenditures in the budget. Committee submitted its report in January 2017.
- **Vijay Kelkar committee** on Revisiting and Revitalizing the. **PPP model of Infrastructure Development.**
- **Rangachary committee** Examined the taxation policies for the IT Sector.
- **The P J Nayak Committee or officially the Committee to Review Governance of Boards of Banks in India** was set up by the Reserve Bank of India (RBI) to review the governance of the board of banks in India. The Committee was set up in January 2014.
- **Hence option (c) is the correct answer.**

Q 74.C

- Fair Price Shop (FPS) means a shop which has been licensed to distribute essential commodities by an order issued under section 3 of the Essential Commodities Act, 1955, to the ration card holders under the Targeted Public Distribution System. **Hence statement 2 is correct.**
- The term (FPS) is defined in Section 2(4) of the National Food Security Act, 2013. **Hence statement 1 is correct**
- It is the responsibility of every State Government to establish institutionalized licensing arrangements for fair price shops in accordance with the relevant provisions of the Public Distribution System (Control) Order, 2001 made under the Essential Commodities Act, 1955, as amended from time to time for efficient operations of the Targeted Public Distribution System.
- **Under the Targeted Public Distribution System, it is the duty of the State Government to-**
  - take delivery of foodgrains from the designated depots of the Central Government in the State, at the prices specified,
  - organize intra-State allocations for delivery of the allocated foodgrains through their authorized agencies at the door-step of each fair price shop; and
  - ensure actual delivery or supply of the foodgrains to the entitled persons at the prices specified
- Every local authority, or any other authority or body, as may be authorized by the State Government, can conduct or cause to conduct, periodic social audits on the functioning of fair price shops, Targeted Public Distribution System and other welfare schemes and may publicize its findings and take necessary action, in such manner as may be prescribed by the State Government.

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- A preference is given to public institutions or public bodies such as panchayats, self-help groups, cooperative societies, etc. in the licensing of fair price shops and for women or their collectives in the management of fair price shops.
- **The State Government can fix an amount as the fair price shop owner's margin**, which may be periodically reviewed for ensuring sustained viability of the fair price shop operations.
- The State Governments may allow the sale of commodities other than the foodgrains distributed under the Targeted Public Distribution System at the fair price shop to improve the viability of the fair price shop operations.
- **the e-PDS portal** provides vital information on policies related to PDS, information on Central and State schemes, price of PDS commodities, allocation and off-take details, stakeholders information, fair price shop details, ration card information, etc.
    - Apart from the Centrally provided data, the portal provides links to PDS-related websites of the various States to know the PDS-related information /ration cardholders details, etc.

Q 75.A

- **Article 292** of the Indian Constitution states that the Government of India can borrow amounts specified by the Parliament from time to time. **Article 293** of the Indian Constitution mandates that the State Governments in India can borrow only from internal sources. **Thus the Government of India incurs both external and internal debt, while State Governments incur only internal debt.**
- In India, **total Central Government Liabilities constitutes the following three categories; [i] Internal Debt. [ii] External Debt. [iii] Public Account Liabilities.**
- Public debt is the **total liabilities of the central government contracted against the Consolidated Fund of India.** It is further classified into internal & external debt. Internal debt is categorised into marketable and non-marketable securities
- **Public Debt in India includes only Internal and External Debt incurred by the Central Government. Hence option 1 and option 2 are correct.**
- Internal Debt includes liabilities incurred by resident units in the Indian economy to other resident units, while External Debt includes liabilities incurred by residents to non-residents.
- The major instruments covered under Internal Debt are as follows:
- **Dated Securities**: Primarily fixed coupon securities of short, medium and long term maturity which have a specified redemption date. These are the single-most important component of financing the fiscal deficit of the Central Government (around 91 % in 2010-11) with average maturity of around 10 years.
- **Treasury-Bills**: Zero coupon securities that are issued at a discount and redeemed in face value at maturity. These are issued to address short term receipt-expenditure mismatches under the auction program of the Government. These are primarily issued in three tenors, 91,182 and 364 day.
- **14 Day Treasury Bills.**
- **Securities issued to International Financial Institutions:** Securities issued to institutions viz. IMF, IBRD, IDA, ADB, IFAD etc. for India's contributions to these institutions etc.
- **Securities issued against 'Small Savings':** All deposits under small savings schemes are credited to the National Small Savings Fund (NSSF). The balance in the NSSF (net of withdrawals) is invested in special Government securities.
- **Market Stabilization Scheme (MSS) Bonds:** Governed by a MoU between the GoI and the RBI, MSS was created to assist the RBI in managing its sterilization operations. GoI borrows under this scheme from the RBI, while proceeds from such borrowings are maintained in a separate cash account with the latter and is used only for redemption of T-bills /dated securities raised under this scheme.

Q 76.A

- Climate projections forecast the total disappearance of summer sea ice in the Arctic by 2040, with the exception of one place—the Last Ice Area
- **The Last Ice Area refers to a region of the Arctic located north of Greenland and Ellesmere Island in the Canadian territory of Nunavut.**
- This area is important because it helps ice-dependent species such as polar bears, seals, walruses, etc.
- **Recent findings indicate that even this area may be vulnerable to melting amid the onslaught of global warming in the arctic region.**

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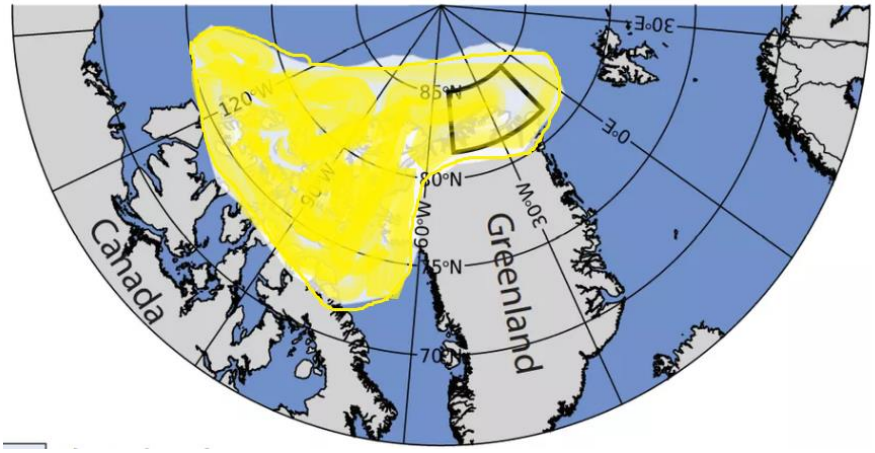

- **Hence, option (a) is the correct answer.**

Q 77.C

- In accordance with the goal of the state controlling the commanding heights of the economy, the Industrial Policy Resolution of 1956 was adopted. **This resolution formed the basis of the Second Five Year Plan**, the plan which tried to build the basis for a socialist pattern of society. **Hence, statement 1 is not correct.**
- This resolution classified industries into three categories.
  - the first category comprised industries that would be exclusively owned by the state
  - **the second category consisted of industries in which the private sector** could supplement the efforts of the state sector, with the state taking the sole responsibility for starting new units
  - **the third category consisted of the remaining industries which were to be in the private sector; Hence, statement 2 is not correct.**
- Although there was a category of industries left to the private sector, the sector was kept under state control through a system of licenses. No new industry was allowed unless a license was obtained from the government.
- **This policy was used for promoting industry in backward regions;** it was easier to obtain a license if the industrial unit was established in an economically backward area. In addition, such units were given certain concessions such as tax benefits and electricity at a lower tariff. The purpose of this policy was to promote regional equality. **Hence, statement 3 is correct.**

Q 78.D

- **Recently, in July 2021 a carcass of a male Spinner dolphin was washed ashore in Odisha's port town of Paradip within the Bhitarkanika National Park.**
- **Spinner dolphin (Stenella longirostris) is a small dolphin found in off-shore tropical to warm temperate waters around the world. Hence, statement 1 is not correct.**
  - It gets its name from its habit of leaping from the water and spinning rapidly before landing with a splash.
  - Spinner dolphins are relatively small for the dolphin family, reaching lengths of approximately seven feet
  - **The spinner dolphin feeds mainly on small mesopelagic fish, squids, and shrimps.**
  - Spinner dolphins live in large pods from a few dozen to a thousand or more **in tropical and subtropical zones around the world. They are the most abundant dolphin species in the Indian Ocean.**
  - **Globally, spinner dolphins are designated as Data Deficient on the IUCN Red List of Threatened species, and are listed on Appendix II of the Convention on Migratory Species (CMS). Hence, statement 2 is not correct.**

Q 79.C

- **Gross domestic product (GDP)** and **Gross national product (GNP)** are both widely used measures of a country's aggregate economic output.
- **Gross domestic product (GDP)** is the value of a nation's finished domestic goods and services during a specific time period. GDP measures the value of goods and services produced within a country's borders, by citizens and non-citizens alike. GNP measures the value of goods and services produced by only a country's citizens but both domestically and abroad. Therefore GNP is defined as follows

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- GNP ≡ GDP + Factor income earned by the domestic factors of production employed in the rest of the world – Factor income earned by the factors of production of the rest of the world employed in the domestic economy.
- Hence, **GNP ≡ GDP + Net factor income from abroad. Hence statement 1 is correct.**

- A part of the country's capital gets consumed during the year due to wear and tear. This wear and tear are called depreciation. Naturally, depreciation does not become part of anybody's income. If we **deduct depreciation from GNP** the measure of aggregate income that we obtain is called **Net National Product (NNP).** Thus
  - **NNP ≡ GNP – Depreciation. Hence statement 2 is correct.**

Q 80.B

- **Fiscal Responsibility and Budget Management (FRBM) became an Act in 2003**. The objective of the Act is to ensure inter-generational equity in fiscal management, long run macroeconomic stability, better coordination between fiscal and monetary policy, and transparency in fiscal operation of the Government.
- **FRBM Act provides a legal institutional framework for fiscal consolidation. The Act binds not only the present government but also the future Government to adhere to the path of fiscal consolidation. Hence statement 1 is correct.**
- It is now mandatory for the Central government to take measures to reduce fiscal deficit, to eliminate revenue deficit and to generate revenue surplus in the subsequent years.
- **The Government can move away from the path of fiscal consolidation only in case of natural calamity, national security and other exceptional grounds which Central Government may specify. Hence statement 2 is not correct.**
- Further, the Act prohibits borrowing by the government from the Reserve Bank of India, thereby, making monetary policy independent of fiscal policy. The Act bans the purchase of primary issues of the Central Government securities by the RBI after 2006, preventing monetization of government deficit
- **The Act also requires the government to lay before the parliament three policy statements in each financial year namely-Medium Term Fiscal Policy Statement; -Fiscal Policy Strategy Statement and-Macroeconomic Framework Policy Statement. Hence statement 3 is correct.**

Q 81.B

- **Tax expenditure refers to the opportunity cost of taxing at concessional rates, or the opportunity cost of giving exemptions, deductions, rebates, deferrals credits etc. to the tax payers.**
- Tax expenditures indicate how much more revenue could have been collected by the Government if not for such measures. In other words, it shows the extent of indirect subsidy enjoyed by the tax payers in the country. **Hence statement 1 is not correct**
- Tax expenditures or the **revenue forgone** are sanctioned in the tax laws. A statement of the same, (as far as Federal / Union / Central Government is concerned) **is presented to the Parliament at the time of Union Budget by way of a separate budget document titled "Statement of Revenue Foregone". Hence statement 2 is correct.**
- It lists the revenue impact of tax incentives or tax subsidies that are part of the tax system of the Central Government. This document also estimates the revenue to be foregone during the proposed financial year on the basis of the revenue foregone figures of the previous financial year.
- **Tax expenditures or revenue foregone statement was laid before Parliament for the first time during Budget 2006-07 by way of Annex-12 of the Receipts Budget 2006-07. The practice has been continuing since then and is submitted as a separate document since 2007-08.**
- This gave credence to the Government's intention of bringing about transparency in the matter of tax policy and tax expenditures.

Q 82.D

- In 1991, India met with an economic crisis relating to its external debt — the government was not able to make repayments on its borrowings from abroad; foreign exchange reserves, which we generally maintain to import petroleum and other important items, dropped to levels that were not sufficient for even a fortnight.
- The origin of the financial crisis can be traced from the inefficient management of the Indian economy in the 1980s. When governments expenditure is more than income, the government borrows to finance the deficit from banks and also from people within the country and from international financial institutions.
- The continued spending on development programs of the government did not generate additional revenue. Moreover, the government was not able to generate sufficiently from internal sources such as taxation. **In**

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the late 1980s, government expenditure began to exceed its revenue (fiscal deficit) by such large margins that meeting the expenditure through borrowings became unsustainable.

- The crisis was further compounded by rising prices of essential goods. **Prices of many essential goods rose sharply.**
- **Imports grew at a very high rate without matching growth of exports.** As pointed out earlier, foreign exchange reserves declined to a level that was not adequate to finance imports for more than two weeks. There was also not sufficient foreign exchange to pay the interest that needed to be paid to international lenders.
- **Hence, option (d) is correct.**

Q 83.C

- **Liquidity Adjustment Facility** is a monetary policy instrument of RBI for managing the liquidity needs of the banking system on a day-to-day basis.
- Various tools under the LAF including the popular repo and reverse repo are used by the RBI to manage liquidity in the financial system.
- Initially, it was **extended to the scheduled commercial banks** and primary dealers in case of requirement or park excess funds with the RBI.
- Later on, in 2014 it was **extended to Scheduled Urban Cooperative Banks (UCBs)** which are Core Banking System (CBS) enabled, have CRAR of at least 9 percent and are fully compliant with the eligibility criteria prescribed for LAF.
- It is **not available to Regional Rural Banks.**
- The operations of LAF are conducted by way of repurchase agreements (repos and reverse repos) with RBI being the counter-party to all the transactions.
    - Repo or repurchase option is collateralized lending i.e. banks borrow money from the Reserve bank of India to meet short-term needs by selling securities to RBI with an agreement to repurchase the same at a predetermined rate and date. The rate charged by RBI for this transaction is called the repo rate. Repo operations, therefore, inject liquidity into the system.
    - Reverse repo operation is when RBI borrows money from banks by lending securities. The interest rate paid by RBI is in this case is called the reverse repo rate. Reverse repo operation, therefore, absorbs the liquidity in the system.
    - These rates are changed only through the announcements made during the Monetary Policy Statements of the RBI.
- Through LAF, banks are permitted to borrow only a certain percentage of its Net Demand and Time Liabilities (NDTL). In case the Bank requires more funds, beyond what is permissible under LAF, it can access another window called Marginal Standing Facility (MSF).
- LAF is conducted at a fixed time on a daily basis on all working days in Mumbai (excluding Saturdays).
- **Hence, option (c) is the correct answer.**

Q 84.B

- An inflationary gap is a macroeconomic concept that measures the difference between the current level of real gross domestic product (GDP) and the GDP that would exist if an economy was operating at full employment. For the **gap to be considered inflationary, the current real GDP must be higher than the potential GDP.** Policies that can reduce an inflationary gap include reductions in government spending, tax increases, bond and securities issues, interest rate increases, and transfer payment reductions. **Hence statement 1 is not correct**
- An **inflationary gap exists** when the demand for goods and services exceeds production **due to factors such as higher levels of overall employment, increased trade activities, or elevated government expenditure.** According to Keynes, an inflationary gap exists when, at full employment income level, aggregate demand exceeds aggregate supply. This means **that due to an increase in investment and government expenditure, the money income increases, but the production does not increase because of the limitations of productive capacity.** Against this backdrop, the real GDP can exceed the potential GDP, resulting in an inflationary gap. The inflationary gap is named as such because the relative rise in real GDP causes an economy to increase its consumption, leading prices to climb in the long run. **Hence statement 2 is correct**
- When the potential GDP is higher than the real GDP, the gap is instead referred to as a deflationary gap. The other type of output gap is the recessionary gap, which describes an economy operating below its full-employment equilibrium.
- **An inflationary gap arises when a government chooses to finance even its normal expenditure through monetary expansion in a time of full employment.** It can also occur during a strong private

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investment boom (such as might result from massive innovations, the opening of new territory, etc.) if the monetary authorities are willing to accommodate the increased demand for money. However, the important cases of the inflationary gap are those associated with the government expenditure on war or war preparations.

Q 85.B

- The **Phillips curve is an economic concept developed by A. W. Phillips stating that inflation and unemployment have a stable and inverse relationship.** The theory claims that with economic growth comes inflation, which in turn should lead to more jobs and less unemployment. However, the original concept has been somewhat disproven empirically due to the occurrence of stagflation in the 1970s, when there were high levels of both inflation and unemployment.
- **Hence option (b) is the correct answer**

Q 86.D

- **The Securities Transaction Tax (STT) is a type of financial institution tax levied in India on transactions done on the domestic stock exchange**. The rates of STT are prescribed by the Central / Union Government through its Budget from time to time. In tax parlance, this is categorised as a direct tax.
- **Capital Gains Tax is a direct tax applies on the sale of all assets if a profit has been made by the owner of the asset**. The tax is further classified into Short term capital gains and Long term capital gains. **Hence statement 1 is not correct.**
- **Minimum Alternate Tax is a direct tax aimed at the taxation of 'zero tax companies'** i.e., those companies which show zero or negligible income to avoid tax. Under MAT, such companies are made liable to pay to the government, by deeming a certain percentage of their book profit as taxable income. **Hence statement 2 is not correct.**
- **MAT is levied at the rate of 18.5% of the book profits.** MAT rate has been progressively increased from 7.5% in 2000 to 18.5% in 2015.

Q 87.A

- **The TRIPS agreement was negotiated in 1995 at the WTO,** it requires all its signatory countries to enact domestic law. **It guarantees minimum standards of IP protection.** Such legal consistency enables innovators to monetize their intellectual property in multiple countries. **Hence, statement 1 is correct.**
- In 2001, the WTO signed the Doha Declaration, which clarified that in a public health emergency, governments could compel companies to license their patents to manufacturers, even if they did not think the offered price was acceptable. This provision, commonly referred to as "compulsory licensing", was already built into the TRIPS Agreement and the Doha declaration only clarified its usage.
- Under Article 27(2) of the TRIPS Agreement, WTO member countries may exclude the patentability of inventions that are necessary to protect public health. Article 30 allows members to place limited exceptions to the rights conferred by a patent. This, along with a set of other tools known as the **"TRIPS flexibilities", allow governments to waive IP rights in the interest of public health. Hence, statement 2 is not correct.**
- Under Section 92 of the 1970 Indian Patents Act, the central government has the power to allow compulsory licenses to be issued at any time in case of a national emergency or circumstances of extreme urgency.

Q 88.C

- Marginal Standing Facility (MSF) was announced by the Reserve Bank of India (RBI) in its Monetary Policy (2011-12).
- **The scheme has been introduced by RBI with the main aim of reducing volatility in the overnight lending rates in the inter-bank market and to enable smooth monetary transmission in the financial system. Hence option 1 is correct.**
- The MSF would be the last resort for banks once they exhaust all borrowing options including the liquidity adjustment facility by pledging government securities, where the rates are lower in comparison with the MSF.
- **It refers to the penal rate at which banks can borrow money from the central bank over and above what is available to them through the LAF window. It is always fixed above the repo rate. Hence option 2 is correct.**
- Under MSF, banks can borrow funds by pledging government securities within the limits of the statutory liquidity ratio.

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- MSF represents the upper band of the interest corridor with repo rate at the middle and reverse repo as the lower band.
- Under MSF, Banks can borrow overnight upto 1 percent of their net demand and time liabilities (NDTL)

Q 89.B

- Liberalisation was introduced to put an end to these restrictions and open various sectors of the economy. Some important areas, such as the industrial sector, financial sector, tax reforms, foreign exchange markets, and trade and investment sectors which received greater attention in and after 1991.
- **Deregulation of Industrial Sector:**
  - The reform policies introduced in and after 1991 removed many of these restrictions. **Industrial licensing was abolished for almost all but product categories — alcohol, cigarettes, hazardous chemicals, industrial explosives, electronics, aerospace and drugs, and pharmaceuticals.**
  - The only industries which are now reserved for the public sector are part of defence equipment, atomic energy generation, and railway transport.
  - Many goods produced by small-scale industries have now been de-reserved.
- **Financial Sector Reforms:**
  - One of the major aims of financial sector reforms is to reduce the role of RBI from the regulator to facilitator of the financial sector;
  - **The reform policies led to the establishment of private sector banks, Indian as well as foreign;**
  - The foreign investment limit in banks was raised to around 74 percent;
  - **Foreign Institutional Investors (FII), such as merchant bankers, mutual funds, and pension funds, are now allowed to invest in Indian financial markets**
- **Hence, option (b) is correct.**

Q 90.D

- The nature of India's foreign trade has changed over the years. Though there has been an increase in the total volume of imports and export, the value of imports continued to be higher than that of exports. In 1950-51, India's external trade was worth Rs.1,214 crore, which rose to Rs. 44,29,762 crore in 2016-17.
- **Changing Pattern of the Composition of India's Exports:**
  - The composition of commodities in India's international trade has been undergoing a change over the years. The share of agriculture and allied products has declined, whereas, shares of petroleum and crude products and other commodities have increased.
  - **The share of agricultural and allied products export in India's total exports during the last four decades has, however, been declining continuously.** It came down from 44 per cent in 1960-61 to 12.3 per cent in 2016-17.
- **Changing Patterns of the Composition of India's Import:**
  - India faced serious food shortages during the 1950s and 1960s. The major item of import at that time was foodgrain, capital goods, machinery and equipment.
  - After the 1970s, foodgrain import was discontinued due to the success of the Green revolution but the energy crisis of 1973 pushed the prices of petroleum, and import budget was also pushed up.
  - Foodgrain import was replaced by fertilisers and petroleum. Machine and equipment, special steel, edible oil and chemicals largely make the import basket.
  - **Import of capital goods maintained a steady increase due to rising demand in the export-oriented industrial and domestic sectors.** Non-electrical machinery, transport equipment, manufacturers of metals and machine tools were the main items of capital goods.
- **Hence, both statements 1 and 2 are not correct.**

Q 91.C

- GDP is typically measured as the monetary value of goods and services produced. Nominal GDP is an assessment of economic production in an economy but includes the current prices of goods and services in its calculation.
- The total value of annual transactions in an economy includes transactions in all intermediate goods and services. It can include multiple transactions for a single product like second-hand goods. While GDP counts only the value-added of finished products.
- **Second-hand items, such as used cars, are not included in the GDP calculations. These items were counted as part of GDP when they were originally sold, which is normally in the year in which they were produced. The total value of annual transactions in an economy is clearly much greater than the nominal GDP. Hence, statement 1 is correct.**
- There exists a stable, positive relationship between the value of transactions and the nominal GDP. An increase in nominal GDP implies an increase in the total value of transactions due to more number of

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inputs or final products. **The accomplishment of a higher number of trades implies a greater transaction demand for money. Hence, statement 2 is correct.**

Q 92.B

- Direct tax is charged on income, salary or profits of an individual or corporates. **In the case of direct tax, the burden can't be shifted by the taxpayer to someone else. Hence statement 1 is not correct.**
- These are largely taxes on income or wealth. Income-tax, **corporate tax**, property tax, inheritance tax and gift tax are examples of direct tax. **Hence statement 3 is not correct.**
- **The Central Board of Direct Taxes** deals with matters related to levying and collecting Direct Taxes and formulation of various policies related to direct taxes.
- Indirect tax is a levy where the incidence and impact of taxation do not fall on the same entity. **The burden of tax can be shifted by the taxpayer to someone else.**
- Indirect tax has the effect to raising prices of products on which they are imposed. **Customs duty, import duty, central excise, service tax and value added tax are examples of indirect tax.**
- The government sector affects the personal disposable income of households by making transfers and collecting taxes. It is through this that the government can change the distribution of income and bring about a distribution that is considered 'fair' by society. **This is the redistribution function.**
- **The redistribution objective is sought to be achieved through progressive income taxation, in which higher the income, higher is the tax rate. Hence statement 2 is correct.**

Q 93.C

- Structural unemployment is the type of unemployment that is caused by the major shifts in an economy. The reasons for the major shifts may be caused by technological changes, changes in government policies, and competition. For example, the fourth industrial revolution is expected to cause major disruptions in the production and supply chains across the globe, it will render the present skillsets in many sectors obsolete. **Hence statements 1 and 2 are correct.**
- Prolonged cyclical unemployment may also result in structural unemployment. For example, during the 2008 financial crisis, many people remained out of work due to immediate cyclical causes (recession leading to cyclical unemployment). Remaining out of the workforce for a long time resulted in their skill-set becoming outdated.
- As measures against the increase of structural unemployment in the nation, the government takes measures such as a structural change in the sectors such as education, economics, tax structures, etc. For example introduction of Goods and Service Tax, ease of doing business reforms, provisioning for vocational education, and skilling of the unskilled labour force through training.
- In view of the emergence of fourth-generation technologies such as the internet of things, artificial intelligence, etc. India should embark upon further reforms such as execution of new and updated education policy, reskilling of the present labour force, spending more on research and development, intellectual property rights related reforms, etc.

Q 94.B

- The Pharma sector is one of the top 10 attractive sectors for Foreign Direct Investment (FDI) in India and currently, it contributes to around 1.72% of the country's GDP. Generic drugs, OTC Medicines, and API/Bulk Drugs, Vaccines, Contract Research & Manufacturing, Biosimilars & Biologics are the major Segments of the Pharmaceutical Industry.
- **Statement 1 is not correct:** The Pharmaceutical industry in India is the **3rd largest in the world in terms of volume and14th largest in terms of value**. Due to preference for Indian medicines worldwide, India is also known as the "Pharmacy of the world".
- **Statement 2 is correct: India is the largest provider of generic drugs globally.** About 20% of the global exports in **generic drugs** are met by India. It contributes 3.5% of the total drugs and medicines exported globally.
- **Statement 3 is not correct:** FDI in Greenfield Pharmaceuticals Project has been allowed through automatic route up to 100% and for Brownfield pharmaceuticals projects it is allowed is up to 74% through automatic route and beyond that through government approval. The cumulative FDI equity inflow in the Drugs and Pharmaceuticals industry constitutes 3.40% of the total FDI inflow received across sectors.

Q 95.D

- **Recent Context: India has joined the G20–OECD inclusive framework agreement and as a result, will have to roll back the equalization levy that it imposes on companies such as Google, Amazon and Facebook when the global tax regime is implemented.**

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- G20–OECD inclusive framework agreement seeks to reform international tax rules and ensure that multinational enterprises pay their fair share wherever they operate.
- About 130 countries and jurisdictions, representing more than 90% of global GDP, have signed the agreement.
- The agreement proposes a two-pillar solution to address the tax challenges arising from the digitalization of the economy.
    - **Pillar One** aims to ensure a fairer distribution of profits and taxing rights among countries with respect to the largest Multi-National Enterprises (MNEs). **The framework covers all MNEs including digital companies like Google. Hence, statement 1 is not correct.**
    - **Pillar Two** seeks to put a floor on tax competition on corporate income tax through the introduction of a global minimum corporate tax that countries can use to protect their tax bases. **A minimum corporate tax rate of at least 15 percent has been proposed under pillar two. Hence, statement 2 is not correct.**

Q 96.C

- The Government Budget is divided into the following categories -

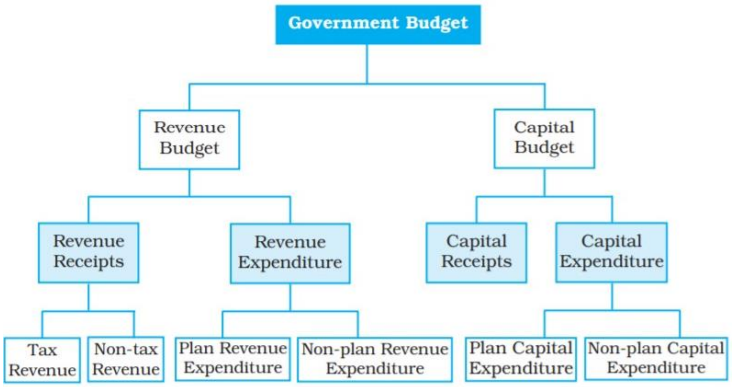

Chart 1: The Components of the Government Budget

- **Revenue Expenditure is expenditure incurred for purposes other than the creation of physical or financial assets of the central government**. It relates to those expenses incurred for the normal functioning of the government departments. **The main items of revenue expenditure are interest payments, defence services, subsidies, salaries and pensions.**
- **Interest payments** on market loans, external loans and from various reserve funds constitute a **large component of revenue expenditure**. **Hence option 1 is correct.**
- **Defence expenditure**, is committed expenditure in the sense that given the national security concerns, there exists little scope for drastic reduction. It also comes under revenue expenditure. **Hence option 2 is correct.**
- **Subsidies** include both **implicit subsidies** such as education and health and **explicit subsidies** such as given on exports, interest on loans, food and fertilizers. **Hence option 3 is correct.**
- **Capital expenditure is the expenditure of the government which result in creation of physical or financial assets or reduction in financial liabilities.**
- This includes expenditure on the acquisition of land, building, machinery, equipment, **investment in shares, and loans and advances by the central government to state and union territory governments,** PSUs and other parties. **Hence option 4 is not correct.**

Q 97.A

- Unemployment is a situation that is said to have occurred when a person actively looking for work does not find one. Unemployment can be classified into seasonal, structural, cyclical and fictional based upon nature. In India data on unemployment is provided by the Ministry of Statistics and Programme Implementation, the Report of Census of India and the Ministry of Labour and Employment.
- **Seasonal unemployment is the type of unemployment that is prevalent during a specific season of the year.** In some sectors such as agriculture, ice factories, holiday resorts, etc. production or economic activity is undertaken during a particular season and the rest of the year being an offseason the employees remain unemployed.
- In the rural areas, especially in developing countries such as India, a major percentage of the population is engaged in agriculture. **Agriculture, being a seasonal activity, is not able to provide employment to the people engaged in it throughout the year. Thus agricultural labourers from rural areas migrate to the city to find work in sectors such as construction, informal economic activities, etc.**
- **Hence, option (a) is the correct answer.**

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Q 98.C

- **Department of Economic Affairs (DEA) under the Ministry of Finance** grants infrastructure status to various sectors, including road, ports, shipping, railways, inland water transport, urban development, power, new and renewable energy, railways, and telecommunication.
- It maintains the Harmonized master list of infrastructure sub-sectors. This makes it easier for companies to raise long-term credit from banks and other financial institutions at lower rates for operating within these segments.
- **Recently the government (Department of Economic Affairs) has granted Infrastructure' status for exhibition and convention centers.** This means it will be eligible for:
  - Access larger amounts of funds as External Commercial Borrowings (ECB)
  - Access longer-tenure funds from insurance companies and pension funds
  - Eligible to borrow from India Infrastructure Financing Company Limited (IIFCL)
- **Hence option (c) is the correct answer.**

Q 99.D

- **Special Economic Zone (SEZ)** is a specifically delineated duty-free enclave provided under the Special Economic Zones Act, 2005 which provides for the establishment, development, and management of the Special Economic Zones for the promotion of exports and for matters connected to. It shall be deemed to be foreign territory for the purposes of trade operations, duties and tariffs. It may be set up for manufacturing goods and rendering services.
- Following are the chief objectives of the SEZs are:
  - **To create additional economic activity.**
  - **To boost the export of goods and services.**
  - To generate employment.
  - **To boost domestic and foreign investments.**
  - To develop infrastructure facilities.
- **Hence option (d) is the correct answer.**

Q 100.A

- Blessed with a varying climate and soil conditions, India has adopted the growing of diverse horticultural crops such as fruits, vegetables, tuber crops, flowers, medicinal and aromatic plants, spices, and plantation crops.
- Horticulture sector contributes nearly **one-third of the value of agriculture output** and **six percent of the Gross Domestic Product of India. Hence statement 1 is correct.**
- India has emerged as a **world leader in producing a variety of fruits** like mangoes, bananas, coconuts, cashew nuts, **and a number of spices** and is the **second-largest producer of fruits and vegetables. Hence statement 2 is not correct.**
- Economic condition of many farmers engaged in horticulture has improved and it has become a means of improving livelihood for many unprivileged classes.
- Flower harvesting, nursery maintenance, hybrid seed production and tissue culture, propagation of fruits and flowers, and food processing are highly remunerative employment options for women in rural areas.
- **Market Intervention Scheme (MIS)** is a price support mechanism implemented at the request of State Governments for the procurement of perishable and horticultural commodities in the event of a fall in market prices.
  - The Scheme is implemented when there is at least a 10% increase in production or a 10% decrease in the ruling rates over the previous normal year.
  - **Horticulture crops are not covered under MSP.**
    - ✓ Market Intervention Scheme works in a similar fashion to Minimum Support Price based procurement mechanism for food grains but is an ad-hoc mechanism.
  - **The Department of Agriculture & Cooperation** is implementing the scheme. Under MIS, funds are not allocated to the States. Instead, the central share of losses as per the guidelines of MIS is released to the State Governments/UTs, for which MIS has been approved, based on specific proposals received from them.

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